policy REVIEW

Fall 1986 Number 38 Four Dollars

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Business is bound to change.

Change upsets people. Always has. Disrupts routine and habit patterns. Demands constant adaptation.

But change is inevitable. And essential. Inability to change can be fatal.

Unfortunately, most of man's institutions are highly resistant to change.

This, as much as anything else, underlies the explosive reaction of many people in our country in the past few years. They took a fresh and uncluttered look at the world around them, and found many institutions archaic. Higher education. Government. Religion. Business.

These institutions have begun to respond to the need for change, even if not always with breathtaking speed.

Among these institutions, business is by the nature of things compelled to change more rapidly—and perhaps more realistically—if it is to survive. Companies that cannot foresee change and adapt to it quickly enough die. There is seldom anybody to subsidize business inefficiency for any length of time.

One reason business—especially big business—can respond to change quickly is that basically it is in the business of change. Business depends heavily on forward planning, and planning is the orderly management of change.

Another reason is that business itself produces more change, probably, than any other institution. Through its research and development programs. Through new technology it develops and applies. Through new plants it builds. Through its need to be a good employer. Because its own long-term self-interest dictates a better life for people everywhere. Because it must face facts and think rationally about what may appear to be unthinkable.

Business can be plenty wrong, and wrongheaded, despite all those things we just listed. But its record for bringing change-with-meaning to society is impressive. Which has an obvious moral for anyone today who wants to change the world, rationally and constructively.

Change doesn't always produce a Renaissance, of course. But it can—if business, and the rest of society think hard and clearly enough about where we want change to take us. And how fast. And what the options are. And whether benefits at least equal costs.

One sphere where clear, contemporary thinking would produce some urgently needed change is in the stereotypes and obsolete concepts that some people who should know better still harbor about all big business. Some of those concepts may once have been valid across the board, and some, unfortunately, may still be valid with respect to some corporations. But not to all.

Times have changed. So have many of us big businesses. Because change is what we're inseparably bound to.

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GRAPPLING WITH THE BEAR

A Strategy for Dealing with Moscow

SENATOR BOB DOLE

Despite the Daniloff case, 1986 may be a watershed year in U.S.-Soviet relations. We appear to be on track for a second Reagan-Gorbachev summit and to be engaged in the first truly serious nuclear arms control negotiations we have had with the Russians since the early 1970s. Simultaneously, a second level of political contacts continues on a whole range of regional issues—Afghanistan amd Kamphuchea among the most prominent—and we are actively exploring new prospects for trade, especially in the agricultural field. In sum, we are dealing with the Soviets at all levels and on a wide range of subjects. So far, the concrete results have been scanty. But there is reason to hope.

As always, it is difficult to know exactly what game the Soviets might be playing. But that very uncertainty makes it all the more important that we take a new, hardheaded look at our overall strategy for dealing with the Russians; at how we can best shape and respond to the way the situation evolves; and at how we can take advantage of all opportunities to advance our interests, while keeping a firm watch on our flanks, to make sure we don't give or bargain away anything important to our national interest.

In the paragraphs below, I want to suggest some general principles for dealing successfully with the Russians, and I want to relate these principles to the real world issues with which the President, the Congress, and the American people will be grappling in the months ahead.

The Myth of Detente

In making a judgment on whether and how to deal with the Soviets, we must start by keeping two related facts clearly in mind. First, the U.S.S.R. *is* fundamentally different from the United States, in system, in goals, in values. The Daniloff case proves that once again. And, second, some of these differences are so profound they are never going to disappear or be negotiable.

Ronald Reagan termed the Soviet Union an "evil empire," and for that expression he was pilloried. And yet, to cite but one example, there is no dispute that the Russians have invaded and occupied Afghanistan, an independent country—surely the classic definition of an empire; and that in Afghanistan they engage in horrible tactics (the use of toy bombs to kill and dismember children is a case in point) to achieve their political goals—tactics which can reasonably be described as evil.

Time and talk are not going to turn the Soviet Union into a liberal democracy or lead it to drop its global imperialist aims. If we conduct our relations with Moscow believing such miracles can happen, then we are doomed to disappointment and, probably, are ripe to be taken to the cleaners.

If we pursue our general relations with the Soviets, and our general affairs in the world, in the illusion that some day we can bridge the vast differences that exist and achieve some fundamental common ground—that our competition with Moscow will end; that there really will be "detente"—then we are in deep, deep trouble.

In fact, detente is a dangerous myth, based upon a phony premise: that there is more to our relations with the Soviets than a sum of parts; that if we cooperate with Moscow in enough ways and spheres, we will create an atmosphere of goodwill that will be self-generating—that is, the Soviets will begin to make concessions not for some specific *quid pro quo* but to preserve a constructive ambience.

The danger of worshipping the false god of detente is twofold. Belief in detente breeds unrealistic expectations, which invariably lead to shattering disappointment. More important, the illusion that detente is real and valuable in its own right leads to self-imposed pressure for unilateral concessions, to keep the spirit of detente alive. Only if we can put the idea of detente behind us, once and for all, will we have a realistic chance to accomplish what we want with the Soviets.

Challenging the Russians

And there is a flip side to this coin—our paranoid fear of defending our own interests or of challenging the Soviets, even where their activities are unwarranted and indefensible and where they are vulnerable, just because we might somehow sour our overall bilateral relations.

In fact, the opposite is true—when we stand up to Moscow, or keep it on the defensive, we will reduce its long-

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Drawing by Bill Bramhall for *Policy Review*.

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term aggressiveness and often even find a more willing and flexible negotiating partner. We have rights and interests, too, and when Moscow clearly understands our determination to defend those rights and pursue those interests, the world will be a safer, not a more dangerous, place. That is the lesson of, for example, the Cuban missile crisis and of our determined pursuit of a militarily stronger America.

Nor are the Russians supermen. Not only can we challenge them; we can challenge them *successfully.* And we can do so without automatically pushing them to the brink of a violent, armed response. The keys are: (1) moving where we have the advantage and can bring the most effective power to bear; and (2) avoiding direct assaults on fundamental Soviet interests—such as the survival of the Soviet state—which might engender a massive, violent response.

The tactics the Soviets use in Afghanistan to achieve their political ends—such as the use of toy bombs to kill and dismember children—can reasonably be described as evil.

Let me cite one example. While the Russians have ambitious plans in southern Africa, the vital interests of the Soviet state are *not* engaged. Moscow will likely defend its interests vigorously. But it is not going to launch an attack on the United States, or break off all contacts with us, because we pursue our own interests there aggressively.

Make no mistake about it—we do have interests in that region that are just as important, and certainly more legitimate, than the Kremlin's. And we have just as much right as Gorbachev and his cronies to pursue and defend our interests—in Angola, through strong support for Jonas Savimbi's freedom fighters; in Mozambique, by refusing to provide aid and comfort to the Marxist government, at least until it clearly and definitively turns away from Moscow; and in South Africa, by making clear that while we are determined to see an end to apartheid, we also find the African National Congress's Communist links and violent tactics abhorrent and inimical to the real interests of black South Africans.

A Big Stick

But it is not enough to be assertive. We also must be able to back up what we say to Moscow with real strength, or we're just not going to get anywhere. Building up our strength—and I'm speaking primarily of our military strength but also of our political and economic strength—is not a substitute for, or a rejection of, constructive bilateral relations with the Russians. On the contrary, it is an essential prerequisite for any successful dealings with the Kremlin.

When Ronald Reagan submitted his first, ambitious defense budgets, the hue and cry was intense. Those budgets, we were told, would set off a new arms race which we would likely lose; would doom any prospects for arms control negotiations; and would usher in a new Cold War.

The opposite, of course, has happened. While the Soviets continue to spend heavily on military development—and, let's face it, that's something they will continue to do, no matter what—there has been no new destabilizing arms race. Thanks to the MX, the B-1, and other promising research and development projects, we have closed the military gap. The Soviets did come back to the Geneva talks, and they now appear to have made the first serious proposal they have offered in a decade and a half. And, as already noted, the final details are being nailed down for another summit.

In fact, we are where we are, not in spite of, but because of, our military buildup. The Kremlin leadership has understood, and I believe in a curious way respected, the Reagan military strategy far better than the liberal American media. They have understood, though presumably *not* appreciated, that a strong America deprives them of their preferred tactic—getting what they want through blackmail and intimidation—and forces them to choose between only two options: (1) dangerous confrontation with a potent foe, or (2) accommodation. Happily, they appear to be resigned for the time being to the latter.

The corollary, of course, is that they will continue to pursue this course only so long as we make it the only attractive one. If we in Congress, through draconian defense budget cuts, forfeit what the President has achieved in military capability and readiness since 1980, we will compromise any prospects for successful talks with Moscow. If we refuse further development of the MX, emasculate strategic defense (SDI), cap B-1 production, scrap the 600-ship Navy, and do all the other things that many are advocating, we will be sending the President into the poker game of the next summit with all his cards showing and not one so much as a face card.

Setting the Agenda

Another vital element in dealing successfully with the Soviets is to ensure that *our* agenda, rather than theirs, is on the table when we do deal. The Soviets still view us with pretty much the same mindset they've always had—what's theirs is theirs; what's ours is negotiable. It's time we relegated that concept to the trash can.

Pursuing our own concerns aggressively, of course, is going to set off a new round of handwringing among our faint of heart—we have to be careful; we can't offend the Soviets, if we push too hard, they won't deal. Hogwash!

The experience we've had on SDI is instructive. When confronted with a program or an idea they don't like, such as SDI, the Kremlin's automatic reaction—one reinforced by years of Western concessions—is to refuse even to discuss it. But if we are tough enough, and if we have the means—carrot or stick (and SDI could be both)—to make Moscow realize the practical need for talks, then talks will

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ensue, despite the propaganda, despite the rhetoric.

In the final analysis, the Russians will deal when one or both of two conditions prevail—when there is something in it for them to gain, or when they stand to lose by not dealing. Our goal should be to create an agenda which forces them to deal with our issues, and as much as possible, on our terms.

Of course, not every issue fits every forum. But every important issue deserves, and demands, some forum. Nothing important to us is "too sensitive" to raise with Gorbachev or any other Soviet leader, no matter how embarrassing it may be to them. And nothing in Soviet history suggests they will be angered, or embarrassed, out of further talks if they see those talks as in their interest or if they see the breakdown of such talks as unduly costly.

The list of subjects we should pursue more vigorously is long. One key issue is Soviet violations of existing arms control agreements. That subject must remain on the front burner, in both substantive and propaganda terms. We should never let the world forget Moscow's sorry record of violations and non-compliance. And we should sign *no* new arms control agreements, period, unless the Soviets have done two things: (1) satisfactorily responded to our concerns on existing violations; and (2) agreed to effective means of verification.

Another central issue is Soviet human rights violations, both in foreign countries such as Afghanistan, and at home. We can never close our eyes to Soviet genocide in Afghanistan or imprisonment of dissidents at home. Despite Soviet efforts to make the next summit a one-issue (arms control) meeting, we must use a summit or any such meeting to keep the pressure on the Kremlin for its inhumane human rights record.

Some Common Interests

I should also note here, too, that—despite the many things that do divide us—there are some issues which both sides have on their agendas which could be the subject of non-hostile, perhaps even cooperative, dealings. Because the Soviets are, essentially, our enemies, does not mean we have no interests in common.

One issue that comes immediately to mind is nuclear non-proliferation. Neither of us has any long-term interests in seeing the spread of weapons-relevant technology and weapons-grade material to the developing world. Both of us, though—to win the political favor of friends or allies, for commercial gain, or because of our fears of the other—do less than we could and should to stop this spread. Engaging the Soviets in an aggressive non-proliferation program ought to be one of the highest priorities of our arms control talks, not just a small sideshow.

Risks and Returns

In sum, then, it is in our interest to deal with the Russians whenever: (1) they will engage us on the issues on our agenda, and (2) there is some reason to believe they may be prepared to deal in good faith.

But before we actually deal, there is one additional and critical thing we need to do: decide on our own goals and work out a realistic strategy for accomplishing them. It sounds easy, but it's something at which we've been woefully ineffective.

Too often we have approached our relations with the Soviets as a reactive, damage-limiting exercise. We wait for the Russians to act, or for a crisis to emerge, and then we rush into the breach with a stop-gap response—using whatever means is most convenient at hand—with little regard for how our response will fit into our broader relations with the Soviets or our broader interests in the world.

The grain embargo of the Soviet Union is probably the classic example—since we got no cooperation from our allies and friends, it had *no* impact on Soviet policies in Afghanistan or on the economic well-being of the Soviet homeland. It merely cut us out of a market which yielded far more national benefit to us as grain sellers than to the Soviets as grain buyers.

We should sign *no* new arms control agreements unless the Soviets have responded to our concerns on existing violations and agreed to effective means of verification.

We need to start our search for the right goals and strategy by refocusing on some of the fundamental questions in U.S.-Soviet relations. We needn't necessarily announce to the world how we really feel about these questions. But we certainly need to know in our own minds how we do. And, right now, I'm not sure that we do.

I would cite two issues in particular that our policy makers must address more comprehensively and decisively.

Our Strategic Posture Toward the U.S.S.R.

First, where do we need to be or—perhaps more precisely—where can we realistically aspire to be, *vis a vis* the Soviet Union in strategic military terms? Do we need to be superior in all major categories of weapons? Superior overall but willing to tolerate some areas of equity or even relative weakness? In rough parity, both overall and system-by-system? Or even inferior overall, but with enough retaliatory punch to deter strategic attack?

And, in fact, we need to address more concretely what superiority and parity actually mean. We need to decide to what degree technological superiority can offset numerical superiority (e.g., in strategic missile systems) and adjust our plans—and our negotiating positions—accordingly.

We also need to keep firmly in mind the idea that our strategic posture is a very dynamic concept. What we decide today impacts not only on our immediate position

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relative to the Soviets but where we can be a decade or more down the road.

SDI is the prime case in point. While it may turn out to make sense to trade off SDI deployment over the next seven to 10 years for some immediate concessions on Soviet weapons levels, let's be sure we examine that proposition meticulously before striking any deal. On an issue of such fundamental importance as SDI, it is far more important than any agreement we sign be sound than soon.

Once we address these basic issues of strategic doctrine, a working strategy for achieving the goals we set flows more naturally—and, equally important, becomes more compelling politically. My own view, for example, is that we must have significant technological superiority over the Soviets in both nuclear and conventional weaponry (though not necessarily in every individual weapons system) to offset Soviet superiority in numbers of weapons and military personnel. We also need to maintain the technological initiative, so that we can nudge military R&D into the areas where we have the relative advantage. That, in fact, is one of the strongest arguments for SDI.

By starting with these kind of clear-cut assumptions and goals, it becomes much easier to decide which weapons systems need aggressive development and which can be given lower priority. Equally important, it should be much easier to sell a cynical and too often partisan Congress on a program—be it SDI or MX or whatever—that fits these clear criteria of where we need to be in national defense.

Should We Trade with the U.S.S.R.?

The other fundamental issue we need to reexamine is the nature of our economic relations with the Soviets. We all would agree, I think, that we must do everything we can to deny the Soviets access to national security-related high technology. But even with that stipulation, the remaining range of policy choices is wide. We could terminate all economic ties with the U.S.S.R., on the grounds that such relations only strengthen a state which has made itself our implacable enemy. We could try to limit our economic relations to those areas where the direct benefit we derive is clearly greater than the advantage accruing to the Soviets (though the Soviets are not likely to be willing to play that kind of game for very long). A third option would be to view and treat trade and investment primarily as means to broader ends, rather than potentially rewarding ends in themselves, chips in a poker game, to be played *ad hoc* as the cards are dealt on a wide variety of issues, both economic and non-economic—the logic behind such things as the grain embargo and the Jackson-Varnik bill. Or we could drop all barriers (except those clearly and directly relevant to our national security), treating the Soviet Union as just another trading and investment partner.

I think it is high time that we decided what we want, and critically and comprehensively looked at what we stand to gain and lose through our economic ties with the U.S.S.R. No administration in my lifetime has spoken, or acted, clearly on this issue. Yet no issue, except that of our national defense, is more relevant to our country and our competition with the Soviet Union.

Consider the case of our bilateral trade. The Soviets usually have a multitude of potential suppliers eagerly lined up to provide them the non-strategic goods and commodities they want. That's why unilateral U.S. attempts to win Soviet concessions by withholding exports haven't worked, and aren't likely to work as well as we would like them to.

As long as that situation prevails—if our foreign friends can sell all the non-strategic items the Soviets need; if they have no intention of cutting back on their exports, no matter what we do or say; and, on the contrary, if they are actually carving out larger market shares through unfair trading practices—then we are only shooting ourselves in the foot when we alone refuse to compete.

Of course, the reverse logic holds, too. If there are trade items where we are the sole or clearly preferred supplier, or other forms of economic leverage we have over Moscow, then we should not hesitate to use that pressure judiciously in pursuit of important goals, including non-economic goals. For example, we should seriously consider whether we can use current Soviet hard currency shortfalls growing out of the drop in oil prices to wrest concessions from the Kremlin.

Certainly, I have no desire to subsidize the Soviet state. No thinking American does. But I do want to see our economy strong. I do want us to take advantage of all trade opportunities to revitalize our industry and agriculture, as long as we are not simultaneously undermining other U.S. interests.

And, equally important, I do want to see all sectors of our economy treated fairly, both in combating foreign competition and bearing any burdens imposed by the needs of our foreign policy. Let's quit putting this monkey solely on the backs of our farmers or any other single group. That's bad policy toward the Soviets. That's unfair policy toward our own people.

We *Can* Deal with the Soviets

We *can* deal with the Soviets, in both senses of the word.

We can handle anything they throw at us—militarily, economically, and politically. We just have to get our act together—know where we want to go, have a plan for getting there, stick to that plan and be willing to pay the price.

And we can interact and negotiate with the Soviets with great success on many—though not all—issues. We have some important things to gain, if we can just keep clearly in mind what they are. And we have the resources to achieve those gains—both the "sticks" and "carrots" to bring Moscow around closer to where we want it to be.

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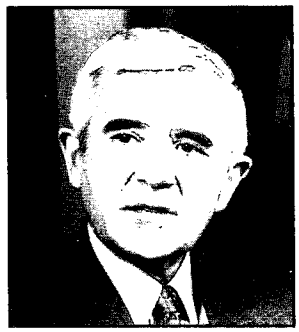

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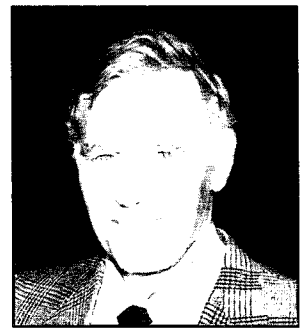

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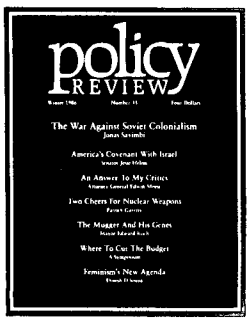

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THE NEW LIBERAL CENSORSHIP

The Ideological Assault on the Constitution, the Bible, and the Great Works of Western Thought

DINESH D'SOUZA

When I use a word, it means just what I choose it to mean—nothing more or less.

—Lewis Carroll

The most pervasive form of censorship in America today is not exercised by backwater fundamentalists, but by distinguished intellectuals in the academy and government. About once a year, incensed parents in Peoria or Little Rock will set ablaze textbooks promoting evolution or secular humanism, while the national media gape in horror. Little attention is paid, however, to the routine censorship of the ideas contained in the bedrock documents of American law, literature, and religion. The Constitution, the Bible, and the classics of Western thought are deliberately read to mean something entirely different from what they say. In some cases, the plain language of the text is turned on its head. Motives for the new liberal censorship include boredom in the Ivory Tower and critical egomania, but the main reason is politics. Offended by the intrinsic conservative message of the core documents of the Western tradition, liberals seek to transform, amend, and rewrite these works to bring them into line with the progressive afflatus.

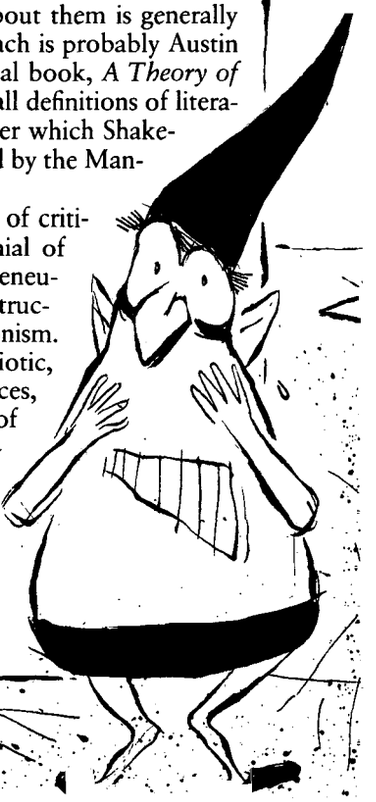
Consider the field of literature, which is now undergoing tremendous convulsions. Until quite recently, there were fairly accepted ways to read and understand a particular novel, play, or poem. This traditional approach is best embodied in Samuel Johnson, who brought a commonsensical intelligence to bear upon literary interpretation. Johnson believed that, by and large, there was a collective literary judgment that worked, over time, to confirm the greatness of particular works. If a piece of literature survived the scrutiny of literary minds over generations, it survived Johnson's test of the true classic; its reputation was protected from the charge of provinciality or fashion.

This view of literature embodies the work of all the great critics, from Samuel Coleridge to William Hazlitt to Matthew Arnold to T.S. Eliot to Lionel Trilling. These critics were not narrow in their interpretive approach; they did not restrict themselves to a literal reading of the words or to the stated intentions of the author. They admitted the utility of external disciplines—history, sociology, psychology, philosophy—as means of enriching the meaning of the text. The reason for this is that literature, unlike law or religion, is not a direct guide to action. It is read mainly for pleasure and does not require a great level of specificity. Thus multiple meanings can often enhance the experience of reading.

But, as Johnson would surely add, this does not mean that literary value is totally subjective, or that texts mean whatever we want them to. The traditional critics viewed the reader as subordinate to the text; his function was to illuminate the work, not to supplant it.

Modern literary criticism seems to be based on the surprising premise that poems and novels do not mean anything in particular—that they do not refer to any specific "reality." Terry Eagleton, author of a widely used textbook on literary theory, writes that modern interpretation rejects from the outset "the commonsensical belief that objects exist independently of ourselves in the external world, and that our information about them is generally reliable." The genesis of this approach is probably Austin Warren and René Wellek's influential book, *A Theory of Criticism* (1949), which challenged all definitions of literature and posited circumstances under which Shakespeare as a classic might be displaced by the Manhattan phone book or by graffiti.

Today there are numerous forms of criticism which are all based on a denial of textual meaning: formalism, hermeneutics, reception theory, semiotics, structuralism, Marxism, deconstructionism. These various systems are symbiotic, drawing on many of the same sources, and operating toward the joint end of destroying traditional literary criticism and indeed the literary text



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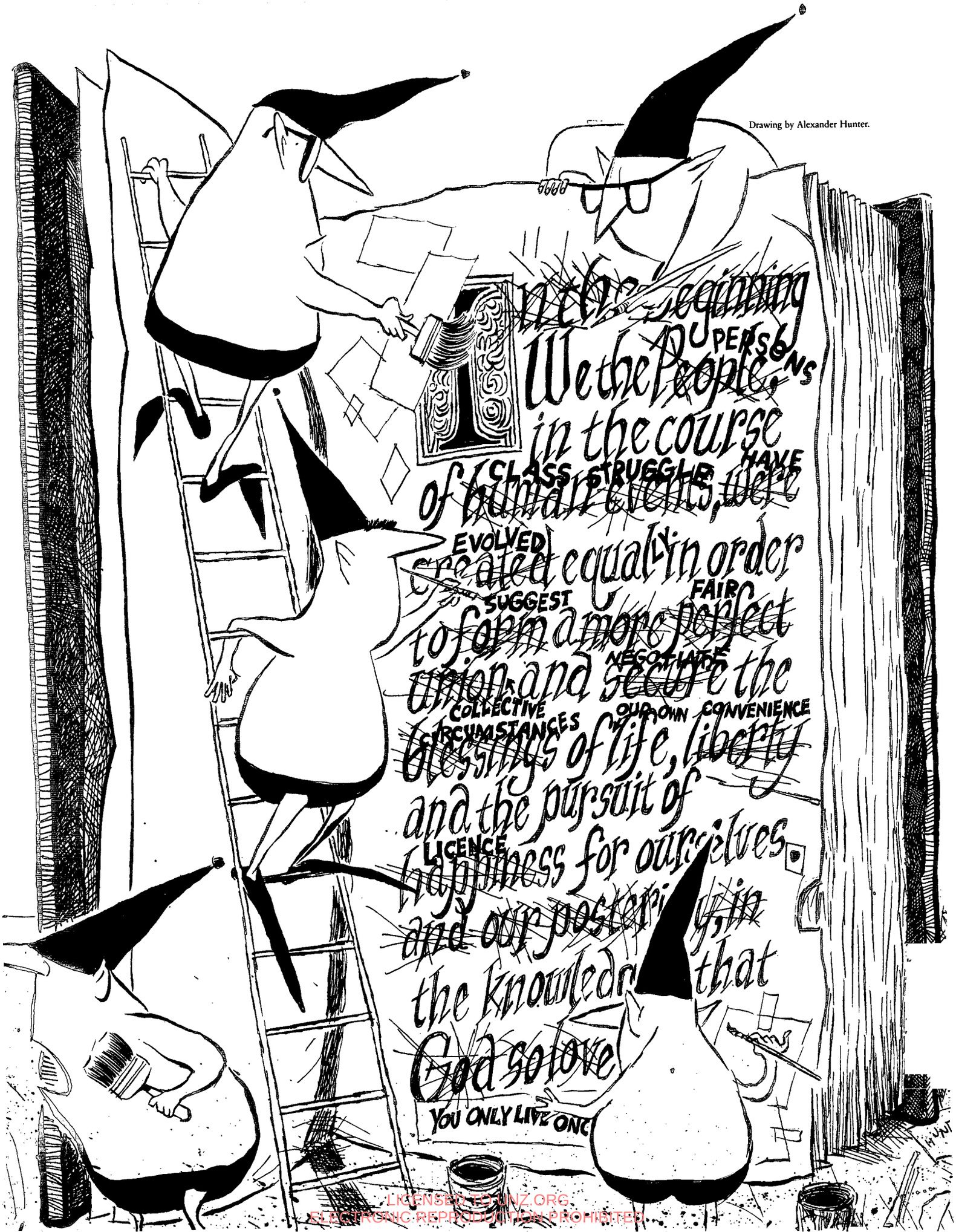

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itself. Formalism traces itself to pre-revolutionary Russia. Led by Roman Jakobson, the Russian formalists argued that literature is a collection of words or "forms" that do not correspond to any feelings, authorial intentions, or social reality "out there." Formalists dissect the words of texts, establishing linguistic patterns and oppositions, but all for their own sake, not to make a point of any sort. Sound, imagery, syntax, rhyme, and narrative technique assume a life of their own; they are not read in relation to what the poem or novel actually says.

Stanley Fish argues that Milton wanted us to misread *Paradise Lost* . . . so that we would be reminded of our fallen state.

Linguistic or hermeneutic criticism assumes that words do not express or reflect realities; they create realities. For example, Hans-Georg Gadamer argues in *Truth and Method* that all interpretation is situational: the text does not exist in and of itself, but is utterly a creation of the culturally conditioned reader. Thus Gadamer maintains that literary meanings are not constant but change dramatically over time. According to this logic, *Hamlet* is not one play but many plays, an infinite number actually, and to say that it is all about a prince seeking revenge for his father's murder is to reveal yourself as a very parochial fellow indeed.

Milton's Sneaky Ways

Reception theory, as expounded by Stanley Fish, holds that the true writer of a literary work is the reader. And reader reaction, reception theorists commonly hold, changes sharply in the course of reading a single sentence or paragraph. For instance, Fish argues that Milton deliberately wanted us to misread his elaborate sentences in *Paradise Lost,* so that in stumbling from phrase to phrase, forming premature opinions and then having to revise them, we are constantly reminded of our fallen state. This is all very clever, but nobody tell Milton.

Structuralism and semiotics apply various linguistic models to analyze relationships within a work of literature. A fair representation of this approach is Tzvetan Todorov's analysis of Boccaccio's *Decameron,* in which Todorov designates all the characters as "nouns" and all their actions as "verbs," concluding that the entire work is nothing more than one long sentence, combining the nouns and verbs in inventive ways. In some Ivy League circles, this sort of analysis is considered nothing short of brilliant.

Psychoanalysis reads literature as basically a product of the author's consciousness, of whose workings he may not be aware. In *The Dynamics of Literary Response,* psychoanalytic critic Norman Holland describes literature as a largely unconscious attempt by writers to transform their deepest anxieties into socially acceptable meanings through plot, character, dialogue, and other conventional devices.

Marxist criticism trades the intrinsic meaning of what the author says for what it regards as truly important—the historically determined class divisions that reveal the characters as members of the proletariat or bourgeoisie. Then Marxist readers go on to explain what happens in the plot as a consequence of the "immutable Marxist laws of history." Readers, to be polite, should not compare these inevitable laws with historical reality.

Finally there is deconstructionism. Inspired by Jacques Derrida, deconstructionists hold that all literature is empty of meaning. Whereas structuralists try to find linguistic parallels and contrasts in texts, deconstructionists labor to discover ingenious, and sometimes bizarre, contradictions which, they say, render the text "radically incoherent," as one deconstructionist puts it. Critics have maintained, however, that the spectacular oppositions—between male and female, noun and verb, and so on—that have been triumphantly proclaimed are more in the heads of the deconstructionists than in the texts themselves.

There is no question that all these literary efforts are aimed at capsizing the author and his creation in order to turn over command to what Jeffrey Hart calls the Imperial Reader—one who reads the text in such a way that the manifest connotations of the words recede into invisibility and extinction. René Wellek, who perhaps started the ball rolling, has of late expressed alarm at interpretive methods such as deconstructionism which "deny that there is a correct interpretation and hence encourage sheer caprice, arbitrariness, and finally anarchy."

Egos and Inferiority Complexes

One reason for all these unusual methods of reading literature is the feeling that most of the perceptive things to say about the classics have already been said, and there aren't enough new great works to keep the critics busy. There is also a general frustration over the traditional concept of critics merely expounding somebody else's creative work; Geoffrey Hartman of Yale has complained about "the automatic valuing of works of art over works of commentary" and announced his intention to lift criticism from its "second class status in the world of letters." By doing violence to the words of the author, the literary critic imagines he is doing some creating of his own.

There is also a boastful esoterica at work here. Read modern literary criticism and you come across words like "focalized," "heterodiegetic," "indexical," "syntagmatic," and "constative." It is not obvious that they mean anything, but they are intended to signal profundity. Who, for example, could fail to be impressed by a passage like this one, by Geoffrey Hartman:

> Because of the equivocal echo nature of language, even identities or homophones sound on: the sound of Sa is knotted with that of Ca, as if the text were signaling its intention to bring Hegel, Saussure, and Freud together. Ca corresponds to the Freudian Id ('Es'); and it may be that our only 'savior absolu' is that of a Ca structured like the Sa-significant: a bac-

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chic or Lacanian 'primal process' where only signifier-signifying signifiers exist.

The political element to all this is somewhat apparent when it turns out that deconstructionists like Jonathan Culler have histories of left activism in the 1960s. But more significantly, modern criticism seems consciously embarked on a venture to destroy the validity of language as a mechanism to carry through time the cherished values of Western culture. Critic Paul de Mann is accused of deliberately writing badly for the purpose of throwing language into disrepute. If this does not seem like a very successful political strategy, there are activist critics as well, like Michael Ryan, author of *Marxism and Deconstructionism*, who announces that once language is proven fraudulent by deconstructionism, there will be a unique opportunity for "the continuous revolutionary displacement of power toward radical egalitarianism."

It is important to remember that a specific cultural tradition is under siege here. Lionel Trilling once observed, to his discomfort, that the continuum of excellence in Western literature, represented by such authors as Chaucer, Milton, Dante, Shakespeare, Johnson, Bunyan, Pope, Keats, Cervantes, Donne, Wordsworth, Austen, Hopkins, Conrad, Joyce, Eliot, Pound, Lawrence, and Faulkner, is overwhelmingly conservative. Even the modernist greats, Trilling glumly noted, tend to be sharply anti-liberal in temperament. The attack on literary language is predominantly an attack on Western values and the Western tradition; as critic J. Hillis Miller puts it, the hope is to "demolish beyond hope of repair the machine of Western metaphysics." The enemy, then, is less language in general than a specific language and a specific culture; as one observer shrewdly points out, these critics have yet to deconstruct Marx and Engels in order to prove *their* irrelevance and incoherence.

Misreading the Bible

Scriptural scholarship, or the interpretation of the Bible, has become a victim of the ideological passion of groups such as feminists, Marxists, and liberation theologians, even though the hermeneutic ground for their assault on the text was cleared much earlier. Presumably the Bible should be read less specifically than the law and more specifically than literature. This is because it is both a code of conduct and a general inspiration; it contains rules like the Ten Commandments, as well as prophetic and allegorical passages such as the parables and the Book of Revelation.

In the last century, numerous systems of interpretation were refined that alarmed traditional Catholics, Protestants, and Jews because they tended to undermine the authority of Scripture. Historical criticism, for example, scrutinized events described in the Bible to see if they conformed to the archeological evidence. But while these critics cast doubt on whether the Bible is chronologically accurate, they did not deny that the Bible means something. They acknowledged that the Bible communicates norms and ideas that, whether the product of divine hand or human enthusiasm, whether historical or ahistorical, nevertheless have identities of their own. The Bible was not considered a radically incoherent document, nor was its meaning held to depend solely on the inclinations of the reader. People chose to focus on or obey certain passages in Scripture and to downplay others, but this was not because they felt that biblical meaning oscillated through time—rather, they approached the Bible eclectically, as a call to perfection that could only be partially realized.

Feminists began their assault on Scripture in the early 1960s. Homosexuals added to the effort in the late 1960s and early 1970s. Liberation theologians soon joined the group. Pretty soon every group identified with grave sins in the Bible had joined forces in a campaign to prove that the

Author Tom McNeil asserts that the sin of Sodom was not one of homosexuality but of "inhospitality."

Bible doesn't really mean all its categorical imperatives; specific prohibitions against sodomy and other evils are only applicable to early Jewish culture; and the "true meaning" of the Bible is a celebration of dignity and equality which is most easily found in the revolutionary camp, the feminist enclave, the homosexual bathhouse. Initially, these methods of biblical revision operated on the margins of scriptural scholarship, but they have rapidly become the mainstream.

Feminists are extremely candid about the fact that their interpretation consists of nothing less than rewriting Scripture to suit their desired meaning. "It has become abundantly clear," writes Yale Divinity School professor Letty Russell, "that the Scriptures need liberation, not only from existing interpretation but also from the patriarchal bias of the texts themselves." Elisabeth Fiorenza, professor at the University of Notre Dame, argues that "only the non-sexist and non-androcentric traditions of the Bible and the non-oppressive traditions of biblical interpretation have the theological authority of revelation." She believes that "all biblical texts must be tested as to their feminist liberating content." In the same vein, theologian Rosemary Radford Reuther maintains in *Sexism and God Talk* that "whatever denies, diminishes, or distorts the full humanity of women is to be appraised as non-redemptive." This approach—if I don't like it, the Bible doesn't mean it—can hardly be called "interpretation." It is censorship masquerading as scholarship.

Appropriately, then, the National Council of Churches has informed us that it intends to produce Bibles whose patriarchal language is purged and replaced by androgynous vocabulary. Burton Throckmorton, a member of the N.C.C. censorship committee, shows a remarkable lack of respect for a text he is supposed to consider divinely inspired when he says, "There's no reason that I can see why the church can't add to Scripture—delete from Scripture.

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The Church can do with Scripture what it wants to do with Scripture."

Love Thy Neighbor's Boyfriend

On the issue of homosexuality, it is hard to see how the Bible could be more specific. "Thou shalt not lie with a man as with a woman—it is an abomination," says Leviticus 18:22. Elsewhere homosexuality is listed with evils such as murder. Yet John Boswell, in *Christianity, Social Tolerance and Homosexuality*, argues that the Bible "takes no demonstrable position on homosexuality." What? Is this possible?

Boswell maintains that "The point of the passages is not to stigmatize sexual behavior of any sort but to condemn the gentiles for their general infidelity." Tom McNeil, in *The Church and the Homosexual,* asserts that despite the unambiguous wording, it is not homosexuality that is condemned; rather, "The sin remains primarily one of inhospitality."

Virtually every group identified with grave sins in the Bible have joined forces to prove that the text doesn't really mean what it says.

Most modern biblical scholars, though, are a bit embarrassed by verbal pyrotechnics which so obviously try to distort the meaning of passages. So these scholars follow the method of their counterparts in the legal and literary fields. First, they maintain that the Bible is ambiguous on many issues. Then, they select certain principles in Scripture and state them in terms of very high generality. Finally, they apply those principles to the outlawed form of behavior to prove that in fact such behavior is condoned. For example, Robin Scroggs, in *The New Testament and Homosexuality,* starts by warning against interpreters who "stay so close to exegesis of the texts themselves that they do not explore the wider social context." Scroggs proceeds to identify "the principle of love" in the Bible and then argues that no doubt it is broad and generous enough to include some sort of approval for sodomy.

Liberation theologians, like Marxist literary theorists, seek to prove that their text, as currently understood, is a means for the privileged class to protect its financial interests. Gustavo Gutierrez, in *A Theology of Liberation,* calls for "a re-reading of the Gospel from the standpoint of solidarity with the poor and the oppressed." He recognizes that such a narrowly defined focus can pervert the text and exploit it for ideological ends, but this is acceptable to Gutierrez because, he says, capitalists for generations have "fettered the Gospel in order to place it at the service of their own interests."

Cardinal Joseph Ratzinger, who has prepared a lengthy analysis of liberation theology, remarks:

> Liberation theologians continue to use a great deal of the Church's classical ascetical and dogmatic language while changing its signification. As a result, the reader or listener who is operating from a different background can gain the impression that everything is the same as before.

For example, the term "love" in the Bible is transformed into the vocabulary of the class struggle so that it comes to denote hatred of the rich to the point of seeking their extermination. Similarly, "redemption" in the afterlife is translated to mean "liberation" on earth through Marxist theory and revolutionary warfare. Essentially, liberation theology is scriptural sleight-of-hand, more subtle than homosexual and feminist interpretation, and probably more dangerous.

None of this is to imply that there are not legitimate disputes in reading the Bible. Perhaps the most interesting is the one between the Catholic Church and evangelical Protestants. Catholicism understands Scripture not merely as a text but as a context; an attempt is made to distill the wisdom of the early apostles through an "apostolic tradition" with the Pope at its head. Evangelicals and fundamentalists tend to take the text at face value and rule out external influences as well as the need for a central authority or governing tradition to illuminate the meaning of the Bible. Both groups, however, assume that the Bible contains meaning, that this meaning is not relative but constant, that it can be discovered, and that it makes a claim upon human beings that they may either accept or reject but are not at liberty to ignore.

Thomas Sheehan, in a June 1984 article in the *New York Review of Books,* argues that the vacuum created by the undermining of traditional theology and scriptural integrity is now being filled by church activism on political issues. "The Church's gradual shift away from theoretical questions and toward social, political, and moral issues like nuclear warfare . . . and liberation theology is, I believe, one of the major consequences of the undoing of traditional theology." Witness the Catholic bishops with their pastoral letters on redistribution and disarmament. Witness the gun-running Maryknoll nuns in El Salvador. Witness the Methodist clerics with their fulmination against nuclear deterrence.

Rewriting the Constitution

The Constitution has, perhaps even more than literature and the Bible, come under liberal siege in the last few decades. In a sense this is odd because, unlike *Ulysses* and unlike the Book of Genesis, the Constitution is not terribly ambiguous or confusing to read. It is not even like the Declaration of Independence—it lacks metaphorical flourish. A handful of clauses are subjective, but the vast majority of the text should cause judges and legal scholars interested in what the Constitution actually says no anguish at all.

The reason for constitutional clarity is that the document's main goal is not inspirational but functional; it is supposed to regulate the terms under which this 200-year-old democracy endures and prospers. America's first chief justice, John Marshall, established the appropriate way for

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judges to read the Constitution in *Dartmouth College v. Woodward:* they should stick with the words of the text, he said, "unless there be something in the literal construction so obviously absurd, or mischievous, or repugnant to the general spirit of the instrument, as to justify those who expound the Constitution in making an exception."

Today, however, Marshall's formulation would be considered little short of a joke. The mainstream opinion in the law schools, shared by several justices of the Supreme Court, is that constitutional meaning changes elastically with the judicially perceived needs of the time. "For the genius of the Constitution resides not in any static meaning that it had in a world that is dead and gone," says Supreme Court Justice William Brennan, "but in the adaptability of its great principles to cope with the problems of a developing America."

Actually there is a mechanism in the Constitution—the amendment process—which allows the document to evolve over time in congruence with the popular will. But the public has shown itself reluctant to tamper with the handiwork of the framers. Only recently, for example, so central a progressive passion as the Equal Rights Amendment was rudely rejected by state legislatures. Because the amendment process has proved unreceptive to the specific political agenda espoused by the majority of the legal community, this group has sought to simply read its favored social vision into the Constitution, pretending that it was always there but previously latent.

The best example of this is the "privacy" right invoked by the Supreme Court to overturn state laws regulating contraception (*Griswold v. Connecticut,* 1965) and abortion (*Roe v. Wade,* 1973). Where does this privacy right that overpowers democratically elected state legislatures hark back to? Look over the Constitution and you find no such right. Hold it up to the light, read it backwards in the mirror—still nothing.

Justice William Douglas said the right to privacy was contained in the First, Third, Fourth, and Fifth amendments. Justice Goldberg discovered it in the Ninth Amendment. Justice Blackmun thought he saw something in the "due process" clause of the 14th. Justice Brennan preferred the "equal protection" clause of the 14th. Obviously these judges were less concerned with where the right came from than with the fact that it had to be in there somewhere. Finally Justice Douglas broke down and admitted that the right was nowhere in the text—rather, he argued, it came from "penumbras" that surrounded the words themselves.

Track these penumbras, and you will find that they closely approximate all the liberal orthodoxies that had been neglected by the constitutional framers. By contrast, constitutional provisions such as the right to bear arms or the right not to have property taken without "due process" or "just compensation" are not only without penumbras, but for many judges they are without relevance and can be safely ignored.

But the privacy right is not an exceptional case. In numerous other rulings, the text of the Constitution has been altered via judicial interpretation to accommodate progressive whims. The Constitution specifies a right to legal counsel; the Supreme Court has transformed this into a right to court-appointed counsel. The constitutional right against self-incrimination has been reworked by the Court into the elaborate Miranda rule. In *Torcaso v. Watkins,* the Court determined that the "free exercise" of religion clause extends to the right to free exercise of atheism—entirely negating the meaning of a clause that gives special protection to religion.

Did you know that black armbands, homosexual dances, and pornographic movies all constitute "speech"? Neither did the framers. But the Supreme Court has brought them all under the protection of the First Amendment. At various times "equal protection" has meant different things to the Court: first it permitted racial segrega-

Track the various "penumbras" of the Constitution and you will find that they closely approximate liberal orthodoxies that had been neglected by the framers.

tion (*Plessy v. Ferguson,* 1896); then it mandated a color blind approach to law (*Brown v. Board of Education,* 1954); now it means favoritism for selected ethnic groups. Supreme Court Justice Harry Blackmun has elevated jurisprudence to the level of literary paradox: "In order to get beyond racism, we must first take account of race. In order to treat some persons equally, we must treat them differently."

The problem for judges is that if they admit they routinely strike down popularly passed laws by adding and subtracting from the Constitution at will, they are likely to be impeached. Thus judicial censors on the bench are evasive about what they do. Justice William Brennan maintains that when he navigates around the language of the Constitution, he is not imposing his morality but rather "it is the community's interpretation that is sought." Yet Brennan regards the death penalty as unconstitutional even though the Constitution explicitly refers to capital crimes and the changing times have, if anything, consolidated community sentiment in favor of sending murderers to their death. "I hope to embody a community striving for human dignity for all, although perhaps not yet arrived," Brennan says solemnly.

This is what liberal jurisprudence has been reduced to—a fickle and arbitrary set of personal preferences masquerading as the supreme law of the land. The most distinguished scholars freely admit that constitutional norms regarded as old-fashioned or unpleasant are routinely censored and replaced by norms more palatable to the judiciary.

Thus judges do not merely interpret law, they make law. And the vast majority of law professors, being liberal to radical, are pleased that judicially contrived legislation tends to codify their political ethos.

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Ronald Dworkin, in *Taking Rights Seriously,* argues that courts "should work out principles of legality and equality, revise those principles from time to time in the light of what seems to the Court fresh moral insight, and judge the acts of Congress, the states, and the President accordingly." Laurence Tribe of the Harvard Law School looks forward to the Supreme Court creating "a general doctrine which recognizes for each individual a constitutional right to a decent level of affirmative governmental protection in meeting the basic human needs of physical survival and security, health and housing, work and schooling." Bruce Ackerman of Columbia Law School maintains that now is the time for courts "to reconstruct legal doctrine on a systematic foundation of activist legal principle . . . and help our fellow citizens build a world that is more just and more free."

The problem for judges is that if they admit they routinely strike down democratically passed laws by adding and subtracting from the Constitution at will, they are likely to be impeached.

None of these people seem to care at all about the language of the Constitution. As a legal document, it is taken not as authoritative but as convenient.

Partly as a response to the arbitrariness of modern liberal jurisprudence, a skeptical school of thought has developed at the Harvard Law School with a following at elite schools elsewhere. Critical Legal Studies (C.L.S.) holds that judges decide what they want in advance, then excavate the Constitution and the precedents for support to back up their preferences—indeed that the entire judicial edifice, which gives the impression of impartiality, is a fraud.

From what has been going on during the last few decades, there seems to be a great deal of truth to this claim. Unfortunately, the remedy the C.L.S. scholars seek is not to restore impartial principles to the law, but to subvert and expose the system as an excuse for power elites to secure their privileges. Duncan Kennedy, leader of the C.L.S. movement at Harvard, says his group is "basically a network for people who are political radicals teaching in the law schools." Their agenda, according to Kennedy, is to replace the current constitutional structure with "a left activist practice of social transformation." Thus radicalism is preying on the vulnerabilities of liberal jurisprudence—and making advances.

Meese's Crusade

At the other end of the political spectrum stands Attorney General Edwin Meese, who has defended the Constitution against those who would seek to render it meaningless. Meese has rightly protested their treatment of the text as a piece of clay that judges fashion to suit their vision of social justice. "To allow constitutional text and the intentions of the framers to be nudged aside by the moral speculations of judges is to acquiesce in the misguided notion that a written Constitution can somehow be made viable only by ignoring or supplanting it."

The problem, though, is that Meese's "jurisprudence of original intention" is not always an adequate answer to the current chicanery. Meese wants judges to confine their interpretation of the Constitution to what the framers intended the words to mean. He cites *Dred Scott v. Sanford,* the notorious 1857 Supreme Court ruling affirming slavery, as evidence of an activist court trying to thwart the will of the legislature; and *Brown v. Board of Education,* the vaunted 1954 desegregation ruling, as a case of "restoring the original principles to the Constitution."

But Chief Justice Roger Taney, who wrote the *Dred Scott* opinion, jusitified his ruling this way: "No one should induce the Court to give to the Constitution a more liberal construction than it was intended to bear when the instrument was framed and adopted." In other words, here is a devout practitioner of the Meese philosophy. And Taney was certainly correct that the framers did not intend to outlaw slavery in the text. On *Brown,* Meese's history is no better. The Court found in the 14th Amendment a rationale for color blindness in state law, but scholars such as Alexander Bickel and Raoul Berger have authoritatively shown that its framers, who segregated their own Senate gallery, had not the slightest intention of outlawing segregation.

In a manner he does not recognize, Meese and his allies resemble their critics on the left. Both groups are willing to look outside the text of the Constitution—in the one case to putative intention, in the other to current left-wing hymnals—to justify a preconceived agenda. Neither gives due respect to the language of the Constitution, a document which does not need the diaries of Madison or the updating intelligence of Brennan to render it coherent.

Of course, original intentions can sometimes help clarify the context in which the handful of vague or subjective provisions of the Constitution were passed. Phrases like "due process," "unreasonable search and seizure," and "no establishment" are open to differing interpretation, and it helps to understand their original ambience. But historical exploration does not always resolve ambiguities; ransacking the record of the "no establishment" provision of the First Amendment, for instance, has produced acrimony among historians but has not settled the question of what precisely the framers meant.

More seriously, original intentions sometimes conflict with the language of the Constitution. For example, the 14th Amendment grants citizens the "equal protection" of the laws. Blacks are defined as citizens. The amended Constitution can be read, quite literally, to justify the *Brown* decision and forbid state segregation.

So what if the framers' objectives were different? Why should intentions that have not been implanted in the Constitution be accorded attention and relevance? If the composers of the 14th Amendment wanted to narrow and

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restrict what equal protection meant, why didn't they include those caveats in the amendment itself?

Original intent jurisprudence runs the risk of mistaking the cause of the text with its content. Motive is not the same thing as meaning. It is the language of the Constitution that is the law. External influences, whether derived from the environment of the late 18th century or the late 20th century, are usually irrelevant and should always be subordinate to the text itself.

This is why the debate over "judicial restraint" versus "judicial activism" is not very helpful. The real issue is how seriously judges and legal scholars take the instructions of the document that is the core of our legal system—the amended Constitution. A sound jurisprudence would not show restraint or activism in line with some ideological proclivity; rather, it would be activist where the Constitution required it to be activist, and restrained where constitutional language demanded restraint.

The Road to Nihilism

The contribution of modern criticism in the areas of law, literature, and Scripture is that in some cases it has revealed previously overlooked problems with traditional modes of interpretation.

In literature, for example, the New Criticism of T.S. Eliot and others simply assumed that texts were self-enclosed artifacts. But in many cases, external disciplines enhance a poem or play. Can it be denied, for example, that a psychoanalytic reading of *Hamlet* or *Oedipus Rex* uncorks new insights into characters and situations? Even deconstructionism has helped suggest some of the vulnerabilities of language as an instrument of meaning and—even though it ends up in total despair—it has encouraged, among other critics, a closer attention to what words say and how they relate to each other.

But these are trivial benefits compared to the enormous damage that has been done to the texts themselves. That is because the debate has been carried outside the domain of what the works can reasonably be held to mean, to the presumption that they don't mean anything at all. As Edwin Meese says, his argument is "not over how to read the Constitution, but whether to read the Constitution."

Astonishingly, the philistine approach of censoring ideas and foisting alien meanings on texts has been passed off as grown-up and sophisticated, while honest attempts to see what these works are trying to say are considered unimaginative and dull. The results of this border on lawlessness, moral chaos, and literary nihilism. ☎

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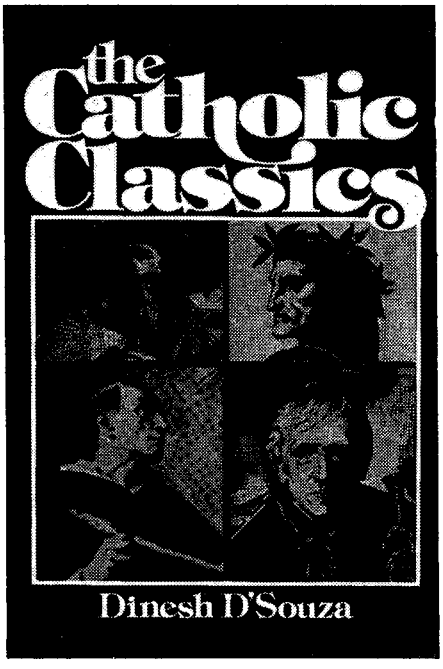

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APOCALYPSE NOW?

What Fundamentalists Believe About the End of the World

ED DOBSON AND ED HINDSON

And he gathered them together in a place called in the Hebrew tongue Armageddon.

—Book of Revelation

Evangelical Christians believe that we are living in the "end times" when the world will enter into a series of cataclysmic wars. Israel will suffer a terrible tribulation or persecution. By the time the wars end, perhaps as much as three-fourths of the earth's population will be destroyed. The Book of Ezekiel tells us that seven months will be spent burying the dead. These chilling events will precede the triumphant second return of Christ to earth.

"Armageddon theology" is the popular term for an eschatological understanding of biblical prophecy about the end of the world. In secular America, these beliefs are little understood, but in the evangelical-fundamentalist world, they are heatedly promulgated and discussed on a regular basis. Some 50 million Americans who call themselves "born again" Christians would agree with the basic tenets of that eschatology. No wonder that Hal Lindsey's book, *The Late Great Planet Earth,* which expresses the evangelical understanding of what the future will bring, sold 15 million copies and was named by the *New York Times* as the bestseller of the 1970s. Today our views on Bible prophecy are proclaimed over the television airwaves by preachers such as Jerry Falwell, Pat Robertson, Jimmy Swaggart, Jim Bakker, and Jack Van Impe. With Robertson's likely candidacy for the Presidency in 1988, Armageddon theology will naturally gain increasing exposure.

What President Reagan thinks about it is not entirely clear. During the 1984 presidential debates, he was asked by Marvin Kalb, "Do you feel that we are now heading, perhaps, for some kind of nuclear Armageddon?" Nancy Reagan groaned, "Oh no," but the President responded that he had spoken with theologians who felt that biblical prophecies were being fulfilled as never before. But "no one knows whether those prophecies mean that Armageddon is a thousand years away or the day after tomorrow. So I have never seriously warned and said we must plan according to Armageddon." If Reagan's degree of agreement with the theologians is uncertain, nevertheless his answer is theologically correct.

For a variety of reasons, the notion of Armageddon theology is deeply troubling to many Christians, Jews, and secularists. Their concerns surfaced during the 1984 campaign when 100 religious leaders, including William Sloan Coffin and Bishop Thomas Gumbleton, held a press conference to announce that it was "profoundly disturbing" that political leaders "might identify with extremists who believe that nuclear war is inevitable and imminent." After all, this could easily lead one to conclude "that reconciliation with America's adversaries is ultimately futile." The liberal Christic Institute went further, charging that evangelicals were using prophecy "to justify nuclear war as a divine instrument to punish the wicked and complete God's plan for history."

Apparently many believe that because we evangelicals look forward to the second coming of Christ, we will try to hasten that event. In other words, we are often accused of trying to foment some sort of crisis in the Middle East that could lead to a Soviet war with Israel, or to provoke a showdown between the United States and the Soviet Union. Some people who understand our belief that born again Christians will be "raptured" or taken out of the world before the final tribulation ask why we should not be complacent about working for peace since we do not think we will suffer the consequences of the war of Armageddon. Others who know that we believe that ultimately the forces of God will triumph over the forces of evil sometimes ask why we would hesitate to get into a war since we are theologically assured of winning. Finally, there is a general foreboding about the widespread conversion of non-Christians, especially Jews, which is said to attend the end times. These arguments, however, are based on a profound misunderstanding of the Bible and what evangelicals actually believe. Before we state our views and answer the various objections, it is important to understand something of the history of millennial prophecy—a very old idea which has suffered lots of setbacks.

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Both the Old Testament and the New Testament speak about the end of the world. The prophet Joel called it the "day of the Lord." He foresaw a day of "thick darkness . . . gloominess . . . clouds . . . and a devouring fire." The prophet Isaiah called it the "time of vengeance of our God." The Apostle Peter predicted, "The heavens shall meet with fervent heat, and earth also and the elements that are therein shall be burned up." The Apostle Paul warned that "Lord Jesus shall be revealed from heaven with his mighty angels in flaming fire taking vengeance on them that know not God." The Book of Revelation says the air will be darkened, water polluted, and great rivers dried up. Earthquakes will shake the planet, and Babylon will be devoured by fire. Concurrent with these visions of destruction are prophecies of the coming millennial (thousand year) reign of Jesus Christ.

The keystone prophecy, which cements our conviction that these are the end times, is the return of the Jews to their ancestral homeland.

For centuries, various Christian and other groups have tried to attach dates to these prophecies, with spectacularly little success. As early as the second century A.D., Montanus predicted that Christ would soon return to set up His kingdom in Phrygia in Asia Minor. Since then, other candidates for the New Jerusalem have included Rome, Constantinople, London, Muenster, and Chicago. The Mormons think it will be Salt Lake City when Christ comes again, although a vocal group of Mormon dissidents insist it will be Independence, Missouri.

One Puritan writer said that Christ would return in 1666. When that didn't happen, another extended the deadline to 1690. In the aftermath of the Reformation, a group of Christians took over Muenster in Germany; their Parliament actually held debates on whether a man on horseback seen riding through the area was Christ returned to earth. With the temporary expulsion of the Pope from Rome by French troops in 1798, one premillennialist predicted that the Battle of Armageddon had already begun—the Catholics were identified as the forces of Antichrist.

In the early 19th century, a Baptist preacher named William Miller predicted that Christ would return in 1844; Miller arrived at that date by converting the 2,300 days of the Book of Daniel (8:14) into years. When 1844 passed, Miller gave up on the scheme, but many of his followers did not—they formed what later became known as the Seventh Day Adventists. At the end of the 19th century, Charles Russell forecast that Christ would return visibly in 1916. He didn't, so his followers—who called themselves the Jehovah's Witnesses—claimed Christ came *secretly* and ushered in the Kingdom Age. (Thus Jehovah's Witnesses meet in "kingdom halls.")

Our own century has seen its share of date setting and millennial prediction. Herbert Armstrong declared that the end of the world would come in January 1972, and some of his followers in the Worldwide Church of God promptly sold their possessions and took to the hills. Television preacher Jack Van Impe announced that the Communists would invade the United States in 1976. We have heard the symbol 666 from the Book of Revelation identified with Hitler, Mussolini, Franklin Roosevelt, the National Council of Churches, Henry Kissinger, and Anwar Sadat, to name a few. Even Ronald Wilson Reagan, whose three names all have six letters, has been identified as the Antichrist. In the face of all this, it may seem hard to take biblical prophecy seriously at all.

But we in the evangelical community do. We believe in the power of predictive prophecy. When a person turns out to be wrong, he is discredited as a prophet and people look elsewhere. But there certainly are a number of Bible scholars we can point to who have correctly discerned the meaning of Scriptures, and forecast future events with mind-boggling accuracy.

Prophecies That Came True

One recent example we could cite is Harry Rimmer. His books, *The Shadow of Coming Events* and *The Coming War With Russia,* were written in the early 1940s during World War II. Taking Ezekiel's prophecies as his guide, Rimmer forecast early during the war that the Axis power would lose, that Italy would lose her colonial holdings in North Africa, including Libya and Ethiopia, and that Russia would emerge from the war as the major enemy of Israel and the West. He said this at a time when the Soviet Union was very friendly to the United States and Roosevelt was posing amicably with Stalin. Naturally, Rimmer's standing in the evangelical community rose tremendously after his interpretation proved correct.

Unlike the foretellers of the medieval age, evangelicals today do not juggle with biblical numbers to come up with dates. Rather, we follow a literal understanding of Scripture. Our eschatology is very consistent with our general biblical hermeneutic: we read the Bible for what it actually says. Perhaps the keystone prophecy, which cements our conviction that these are the end times, is the return of the Jews to their ancestral homeland. This is unequivocally forecast in the Bible. Previous biblical forecasters ignored this very specific event to their detriment and embarrassment.

When Israel was founded in 1948, writes Hal Lindsey in *The Late Great Planet Earth*, "the prophetic countdown began." Israel's capture of Old Jerusalem in 1967 is also very significant because it makes possible the rebuilding of the Holy Temple in Jerusalem, which the Bible clearly makes a crucial biblical sign that will precede the Second Coming. Fundamentalists interpret Christ's forecast about the end times—"This generation shall not pass away until all these things have taken place"—as referring to the generation that comes after the founding of Israel, in other words, *our* generation.

Of course, it is theoretically possible that the Jews will once again be driven from Israel and return at some point in the future to participate in the apocalypse. But common

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sense dictates that this is very unlikely. Both Jews and gentiles, both Christians and secularists, agree and recognize that the formation of the state of Israel is an event of the greatest importance. After some two thousand years of exclusion, the Jews repossessed their God-given home. We believe this is a precursor for the end of the ages.

Although we base our eschatology entirely on biblical theology, we note that there is a considerable segment of the secular community that agrees with us. Several Nobel laureates and reputable scientists tell us that the earth's clock may be running low. We hear so much about the possibility of nuclear holocaust and extinction—the very gloomy and apocalyptic vision of Jonathan Schell's *The Fate of the Earth,* for example. When evangelicals predicted the end of the world in earlier centuries, the people laughed at them, because the destruction of the entire planet was simply inconceivable. But today it is well within the realm of possibility. In fact, some secularists seem far more worried about it than we fundamentalists are. They are not, however, accused of trying to hasten the end; indeed they are often credited with the moral vision that is needed to forestall such an outcome.

Premillennials vs. Postmillennials

In understanding the evangelical view of biblical prophecy, it is crucial to define three very different systems of eschatology, because each views the end times very differently, and consequently their political implications are quite different.

The *postmillennial* school believes that Christ will return after the millennium to announce that His kingdom on earth has been realized. Postmillennialists believe that, during the millennium, the church should conquer unbelief and convert the vast majority of people to Christianity, and that society should be run according to biblical law. In this way, they seek to usher in the second coming of Christ.

Amillennial theology sees no literal millennium on earth. It tends to view events described in the Book of Revelation as referring to the Church Age—the time when Christianity exerts a powerful influence on people and overcomes the forces of evil. References to the "thousand years" are interpreted as symbolic. Amillennialists believe that Christ will return when he returns, and immediately conduct the Last Judgment.

Finally there is *premillennialism,* which holds that Christ will return before the millennium and then reign on the earth for a thousand years. Premillennialists do not believe Christians will be present on earth during the last days to witness the wars, tribulation, and the conversion of the state of Israel. Because premillennialsts do not believe that society has to be prepared for a thousand years for Christ's second coming, they reject the idea of imposing biblical law on nonbelievers. Premillennialists are by far the dominant strain in evangelical eschatology.

Amillennialism has no serious political implications. Only one of the television preachers—James Kennedy of the Coral Ridge Presbyterian Church in Fort Lauderdale, and founder of "Evangelism Explosion"—is identified with this view. Understandably, so are mainline Protestant denominations which are uncomfortable with the idea of biblical prophecy altogether and prefer to take a metaphoric view of the Book of Revelation. The only significant thing one can conclude about amillennialism is that it does not require theological support for the state of Israel. Thus Kennedy, who is politically conservative, does not endorse Israel on biblical grounds because he believes that Scripture's promises to Israel are allegorically fulfilled in the New Israel, that is, in the Christian church.

Postmillennialism was, in the 18th and 19th centuries, perhaps the dominant strain in Protestant eschatology. As early as the Middle Ages, John Wycliffe (1329-1384) suggested that the Catholic Pope was the Antichrist and that Protestants were engaged in an apocalyptic war with the corrupted papacy. This idea greatly influenced Calvin and Martin Luther. Many Protestant reformers identified the years 500 A.D. to 1500 A.D. as the millennium of the "legitimate papacy," after which they felt it was corrupted by Satan. These reformers believed the Reformation represented an attempt by Protestants to expel the Satanic evil before the final conflict at Armageddon.

If we really wanted to accelerate the end, we would surely support the nuclear agenda of the American left and the Communist Party.

The Puritans were postmillennialists who believed they were living in the last part of the thousand years after which Christ would come. The Cromwellian revolution was, to them, the "Battle of God and Magog," in other words, the final conflict. Puritans called for the complete expulsion of the forces of Antichrist embodied in the monarch, Charles I. The notable Puritan divine, John Owen, told Parliament that Charles's execution was a "fulfillment of prophecy."

But Charles died and Christ did not return. Soon Puritan eschatology gradually began to shift from postmillennialism toward premillenialism. No longer was the church seen as a mechanism for bringing about Christ's second coming. Hope was placed, instead, in waiting for Christ to fulfill what the church had failed to accomplish.

The New World saw a revival of postmillennialism. Evangelicals in America identified their country with the New Jerusalem. God would establish his kingdom on earth on the shores of the New World, they said. During the Great Awakening of the 1740s, Jonathan Edwards enthusiastically predicted that the millennium was coming to an end and Christ would return shortly. The millennial enthusiasm of the Great Awakening played an important role in the American Revolution. Later, in the 19th century, Congregational preacher Lyman Beecher declared that "the millennium is at the door."

But postmillennialist notions of a world bringing itself more into line with God to prepare for His return were shattered by 20th century catastrophes, such as the Nazi holocaust and Stalin's genocide. Was this progress? Far

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from moving toward greater conversion and a closer following of biblical law, the world seemed to be moving away from it. Today postmillennialism is mainly a legacy. Jerry Falwell has said that it is harder to find a postmillennialist now than a Wendell Willkie button.

In the hills of California, there is one postmillennialist: Rousas J. Rushdoony and his Chalcedon group. Rushdoony is not a political leader. He does not have a significant following. But he is well regarded as a biblical scholar. He exerts an influence on evangelical-fundamentalist eschatology even though most of us do not agree with his views.

Some of Rushdoony's followers, in order to prepare the world for Christ's second coming, have called for laws mandating the death penalty for homosexuals and drunkards.

Rushdoony wants to replace secular law with biblical law. He has outlined his vision in *The Institute of Biblical Law,* regarded as his masterbook. In it, he calls for "the saints of the world," that is, Christians, "to prepare to take over the world's government and its courts." Rushdoony distrusts democracy—in fact, he maintains that "the choice, ultimately, is the basic one between democracy and traditional Christian theology"—but he believes fundamentalists must use the democratic process to come to power, and then end democracy. Some of Rushdoony's followers, in order to prepare the world for Christ's second coming, have called for laws mandating the death penalty for homosexuals and drunkards.

No doubt this is a frightening prospect for many secularists and members of the Jewish, Moslem, and Buddhist faiths. But they are not alone. It is a scary vision for the majority of evangelicals and fundamentalists as well—the two of us included. While we respect Rushdoony's strength of mind, we strongly disagree with his eschatology. Fortunately, we can say with confidence that he represents a very small group with absolutely no chance of achieving their agenda.

Can Armegeddon Be Averted?

The overwhelming majority of evangelicals and fundamentalists would describe themselves as premillennialists. Actually, they would say they are premillennial dispensationalists. Dispensationalism refers to an eschatological tendency to see history as a series of "dispensations," or ages, with Christ's return coming at the end. All the major fundamentalist seminaries—Bethel, Covenant, Dallas, Denver, Liberty, Talbot, Temple, and so on—are premillennial and most are dispensationalist. All the major TV preachers—Robertson, Falwell, Swaggart, Bakker—believe the same thing.

Premillennial dispensationalism was propagated in the 19th century by the Plymouth Brethren movement in England. John Nelson Darby was its most prominent spokesman. It spread to the United States, where the Bible Conference movement brought it into hundreds of thousands of homes. The Scofield Bible of the Reverend C. I. Scofield contained extensive notes about dispensationalism. Premillennial dispensationalists tend to identify the final dispensation—the Age of Apostasy—with the rise of theological liberalism in the world in the 20th century.

Premillennialists believe that the end times will be harbingered by the Rapture, which refers to the literal absorption of Christians into heaven. By Christians, we do not mean all professing Christians; we mean, rather, those who have accepted Jesus Christ as their personal savior. The Rapture is suggested by several biblical passages, notably Saint Paul's letter to the Thessalonians, in which he says "For the Lord Himself shall descend from heaven with a shout, with the voice of the archangel, and with the trumpet of God: and the dead in Christ shall rise first. Then we who are alive and remain shall be caught up together with them in the clouds to meet the Lord in the air, and so shall we ever be with the Lord."

Popular evangelical pastor and author Tim LaHaye outlines what might ensue after the Rapture: "The Rapture will be an event of such startling proportions that the entire world will be conscious of our leaving. There will be airplane, bus, and train wrecks throughout the world. Who can imagine the chaos on the freeways when automobile drivers are snatched out of their cars? One cannot help surmise that many strangers will be in churches the first Sunday after the Rapture. Liberal churches, where heretics in clerical garb have not preached the Word of God, may be filled to capacity with wondering and frantic church members."

There are some premillennialists who hold what is called a post-Tribulation Rapture position (that is, they believe the Rapture will come after the Tribulation), but they are a very small minority. Most evangelicals think the Tribulation will follow the Rapture. The main reason is that Christian churches are never referred to in the Bible after its account of the Rapture. The Bible says that Christians as a force for good will simply be removed from the world, and evil will run rampant.

This will correspond with the rise of a force of evil such as the world has never seen before—the Antichrist. In a pamphlet on Armageddon theology, Jimmy Swaggart notes that all the world's dictators—Genghis Khan, Attila the Hun, Hitler, Stalin—acted in the *spirit* of the Antichrist but could not rival his supreme evil. Evangelicals believe that the Antichrist will make the tyrants of the past seem benign by comparison—and the main target of his fury will be Israel.

The Tribulation will largely consist of the Antichrist persecuting the Jews and the nation of Israel. Scripture refers to this as "the time of Jacob's trouble." There is no question that Israel will suffer tremendously. Just how is not so clear. Most fundamentalists believe that the Soviet

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Union (the dreaded "Gog" or "Magog" of the Bible) will form an alliance with the Arab countries—this is virtually in effect now—and invade Israel. "I have felt that one day the Soviet Union or its satellites will invade Israel," Pat Robertson recently told *U.S. News and World Report.* Then the Soviet Union is expected to doublecross the Arabs and attempt to consolidate a unilateral iron grip on the Middle East.

Probably the United States and its European allies will put up a brave fight, but without God's help they will be unsuccessful. The Jews, without any place to go, will turn to Christ as the true Messiah. Dwight Pentecost writes in *Things to Come,* a definitive premillennial text on prophecy, that "God's purpose for Israel in this Tribulation is to bring about the conversion of a multitude of Jews, who will enter into the blessings of the kingdom and experience the fulfillment of all Israel's covenants." The period of Tribulation will end with the conversion of Israel and the total defeat both of the Soviet Union and the forces of Antichrist. Then Christ will return to earth in physical form and rule for a thousand years. This is the period preceding the Last Judgment.

Ever since the early part of this century, premillennial evangelicals have tended to view the end of the world as imminent, and consequently they have withdrawn themselves from the institutions of society, regarding political and social reform as futile. They have focused their efforts on evangelizing souls, trying to save as many as possible before the final apocalypse. The Reverend Bob Jones of Bob Jones University has called Jerry Falwell "the most dangerous man in America." Jones believes that the Liberty Federation (formerly Moral Majority) is committing heresy by forming secular alliances to bring about social improvements.

These extreme fundamentalists have virtually given up on the world. It would be fair to argue that their eschatology has made them complacent about evils such as nuclear proliferation—they are certainly not doing anything to resolve political disputes in the Middle East or with the Soviets. Indeed, they have eschewed politics altogether. But they form a relatively small group, and we believe there is no reason to fear them. They are remote from the loci of power and cannot do any harm. They are primarily concerned with the next world, which is their prerogative.

We also recognize that Scripture tells us that no one knows when the end will come. "But of that day and hour knoweth no man, no not even the angels of heaven but my Father only," the Gospel of Matthew says. Saint Paul writes of the end, "But as to the time and season, brethren, you have no need to have anything written to you. For you yourselves know well that the day of the Lord will come like a thief in the night."

It is foolish to act according to timetables when God advises against it. Fortunately, having learned from the errors of the past, fewer and fewer evangelical pastors are doing this. Certainly the major ones are not. Jimmy Swaggart notes, "Only when we realize that the Church could be raptured at any day, that there is no definite time revealed for this great moment, can we conscientiously teach others to be spiritually prepared at all times." Jerry Falwell has said that we should plan as though we have another hundred or more years to serve God but live as though He could come tomorrow.

Just as there are many Bible passages that describe the end times, there are scores of passages that outline Christian responsibilities in this world. We take both sets of passages seriously. The Bible says that we should be ready for the Second Coming and that we should be good citizens—the salt of the earth. We do not view those missions as contradictory or mutually exclusive. We will work to better the world because the Bible tells us to, and we will await Christ's return because the Scripture says it will happen.

The period of tribulation will end with the conversion of Israel and the total defeat both of the Soviet Union and the forces of Antichrist.

"The Bible says that as much as is possible in you, live in peace with all men," Pat Robertson told *Time* magazine in a recent interview. He is justified by Matthew's gospel which says "Blessed are the peacemakers." The 13th chapter of Romans is full of instructions to Christians about their responsibility to civil government. We know that we must render unto Caesar as well as unto God.

That is why we are investing so heavily in the future. All the major evangelical groups are building churches and schools and setting up missionary outposts abroad. Liberty University has architectural plans that go into the 21st century. We wouldn't make those if we were sure they would amount to nothing. It is true that Jerry Falwell has joked that he doesn't own a cemetery plot, but whom do you know who *does* own a cemetery plot? Falwell was simply saying, in his characteristically colorful way, that we must be ready for the Rapture. But he has never suggested complacency for evangelicals in either their personal or public lives.

On the contrary. The evangelical preachers are in the arena of politics to improve secular society. We are working hard to bring back school prayer, to stop abortion, to improve the schools, to eliminate pornography. We are not doing this to prepare the world for Christ's coming—it is the *postmillennialists* who think that social reform during the Church Age can help usher in the Second Advent. The reason we are in politics is that we believe that God created us in order to live fully, to make the world as good a place as we can, to use Christianity as a force for positive change. We believe that life is a gift from God; it is a sin to take it without cause; it is our duty to preserve and protect it. Our enthusiastic political involvement is proof that we are not among those evangelicals whose apocalyptic views are a pretext for this-worldly despair.

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Evangelicals are taking all the measures they can to ensure that the world is a safer place. Robertson, Falwell, and others are all outspoken advocates of strategic defense. Not everyone will agree with us that SDI will protect the United States better than mutually assured destruction. But certainly we think it will, and no one has questioned the sincerity of our conviction. Why would we be for SDI if we felt it postponed the Second Coming? Indeed, if we really wanted to accelerate the end, we would surely support the nuclear agenda of the American left and the Communist Party, because we firmly believe that unilateral disarmament is a sure way to send this country into the arms of its Maker.

A Time To Repent

A lot of the talk about speeding up the apocalypse would be stopped if more people understood that prophecy cannot be altered. There are some conditional prophecies; in the Old Testament, for example, when people repented for their sins, God would abstain from sending down a divine punishment. But the prophecies about the end times are unconditional. They are written in God's book. It is arrogant and sinful to think that we can change them. Pat Robertson has said that Armegeddon is "an act of God Almighty that has nothing to do with human abilities whatsoever. I have no intention of helping God along in this respect." The only appropriate response to these prophecies, we believe, is to repent for our sins and try to bring as many people as possible to Christ. Otherwise we must work to better society as Scripture tells us to.

Finally, there is the matter of Jewish conversion. Here, too, a close scrutiny of our views should erase all fears about us imposing our views on others. We do not believe that we will be around in the period of Tribulation to convert Jews. Remember, born-again Christians expect to be raptured out of this world before the Tribulation. We believe that it is *Jews* who will convert other Jews. The Bible mentions 144,000 elders. Some evangelicals believe that the prophet Elijah will return to earth.

Certainly before the Rapture, fundamentalists and evangelicals are doing all they can to convert people to Christ. We believe it is our duty to proselytize to all—Jews, Moslems, unbelievers, even professing Christians who have not accepted Christ—and bring them to God's love. Thessalonians I tells us, "For God hath not appointed us to wrath, but to obtain salvation." We don't want anyone to be punished; we want all men to be saved. If we appear to focus our efforts on Jews, it is because we believe that since the Abrahamic Covenant—when God said to Abraham, "I will bless them that bless thee, and curse him that curseth thee"—the Jews have always been a special people. We believe that if America abandons Israel, then our country will come under the wrath of God.

But all our proselytizing—to Jews and gentiles—is done in a context of voluntary acceptance of Christ. Our religious beliefs are entirely compatible with democratic pluralism. The Baptist tradition is one of fierce independence and free will. The separation of church and state is a Baptist idea. We don't believe in coerced conversion. Even in the last days as we await His return, our biblical obligation is not to bring all men to Christ, but to bring Christ to all men. ☎

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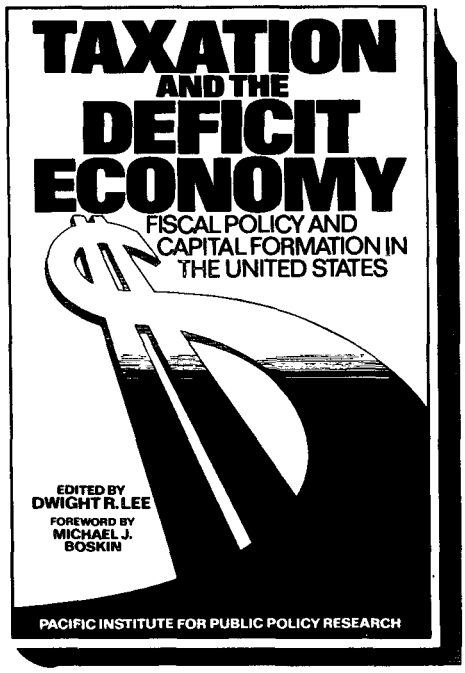

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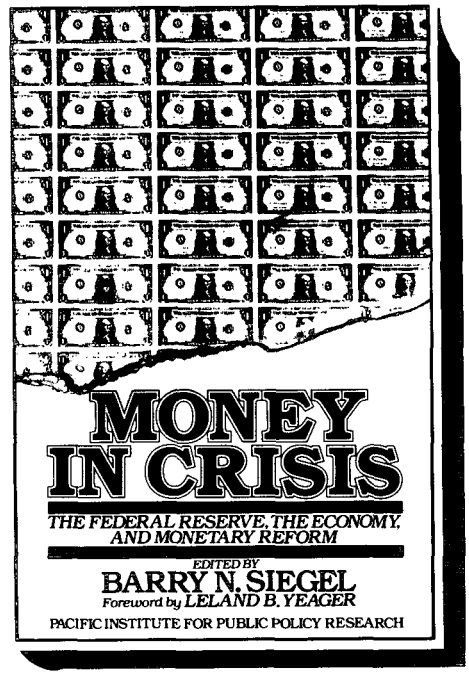

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THE MORAL OF THE STORY

How to Teach Values in the Nation's Classrooms

GARY BAUER

In the past decade, it has become the conventional wisdom in the academic establishment that moral education is illegitimate because it constitutes "indoctrination." As a result, teachers have approached the subject in a diffident manner. And our children are growing up with very confused and sometimes dangerous notions of what it means to act morally and responsibly in today's society. The problems of alcoholism, drug abuse, vandalism, promiscuity, and simple lack of common decency which pervade our schools are clearly related to the terrible state of moral education in the American classroom.

Until very recently, the idea that values or morality were part of the educational process was unchallenged. Indeed, it has been at the core of the educational philosophy of Western civilization since the time of the Babylonians. Both Plato and Aristotle believed that virtue was the highest form of wisdom and it was the duty of elders and educators to transmit such knowledge to their students. Irving Babbitt in *Literature and the American College* maintained that a large component of learning is ethical and there is no such thing as education without moral education. These ideas guided American public education from the outset. The governing philosophy was that students should not just be taught about the world but also about themselves—how they could be better persons, how they should behave in a civilized society. The great *McGuffey Readers* embodied the approach of distilling clear moral lessons from texts like Milton and Shakespeare, which children read in the original.

Moral education fell into disrepute for several reasons. The first is that several of the values that were previously taken for granted came to be challenged. For example, many psychologists came to think that sexual restraint was not necessarily the best option for children, that moderate drug use could be salutary, that some forms of destructive behavior served a therapeutic function, or at least constituted "self expression." The second is growth of the fact/value dichotomy, a brainchild of positivism, and the concomitant notion that if education aspired to be a science, it could only teach empirically verifiable propositions and not subjective values. Finally, it was recognized that the values being taught in schools were intrinsically connected with the Jewish and Christian religions; educational philosophers wondered if moral education was simply a means to impose theological beliefs on children.

In recent years, a new system of values education has gained enormous influence in the teacher training schools. "Values Clarification" is rarely taught as a separate course to students; rather, it is a methodology of learning that is aggressively promoted in courses that prospective teachers take. Thus, it greatly influences teacher attitudes toward moral education—attitudes that express themselves in courses ranging from literature to government to history to philosophy. From being a marginal element in values education theory, Values Clarification has become the mainstream. This is alarming, because although it claims to be a theory of moral education, in fact Values Clarification is a repudiation of moral education.

Choosing Dishonesty

The standard Values Clarification text is *Values and Teaching* by Louis Raths, Merrill Harmin, and Sidney Simon. It argues that teachers should not try to "impose values" on students. Even to teach such fundamental values as honesty or compassion is to be oppressive. "All the traditional methods of moral education have the air of indoctrination, with some merely more subtle than others." Teachers should try to "flush out" or clarify students' own value systems; they should "be concerned with the process of valuing and not particularly with the product."

The fact that Values Clarification focuses entirely on procedures and is indifferent to outcomes is part of its appeal. It sounds so scientific, individualistic, and nonjudgmental, all phrases congenial to the progressive orthodoxy. And yet what are its practical results?

In one Values Clarification class, students congenially concluded that a fellow student would be foolish to return $1,000 she found in a purse at school. The teacher's reaction: "If I come from a position of what is right and wrong, then I am not their counselor." In *Values and Teaching* Raths, Harmin, and Simon provide a case to illustrate what

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happens when Values Clarification conflicts with classroom rules.

> **Ginger:** Does that mean that we can decide for ourselves whether we should be honest on tests here?
> **Teacher:** No, that means that you can decide on the value of honesty. I personally value honesty and though you may choose to be dishonest, I shall insist that we be honest on our tests here.

The problem with this is that it leaves students with the impression that attempts to enforce values such as honesty are totally arbitrary. The teacher is allowed to impose his will only because he is in possession of the means of compulsion. The implicit moral lesson here is that values should be followed not because they are right but because they are backed by coercion.

In fact, the general presumption behind Values Clarification is that there are no reliable standards of right and wrong—each person develops a morality which is right "for him." But under such a radically subjective approach, how can we justify holding our children to any consistent standards at all? C.S. Lewis in *The Abolition of Man* notes the irony that

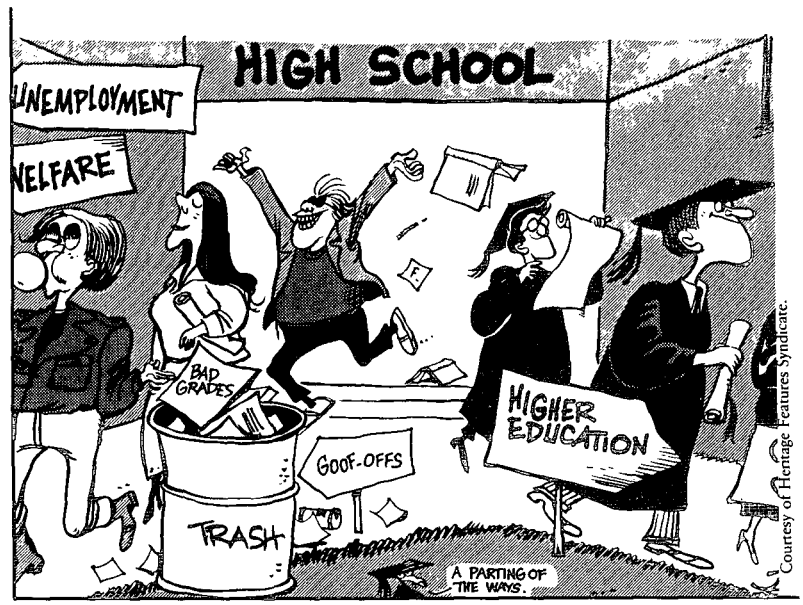
> We continue to clamor for those very qualities we are rendering impossible . . . We make men without chests and expect of them virtue and enterprise. We laugh at honor and are shocked to find traitors in our midst. We castrate and bid the geldings be fruitful.

Parents vs. Educational Theorists

Undoubtedly parents want values taught in school. The problem is that the confidence of teachers in perfoming this task is constantly undermined by the educational theorists who write the textbooks and dominate the teacher training profession. Teachers are given the impression that moral education is unscientific, unprofessional, and oppressive. They are constantly reminded that if they teach values they are entering into the unconstitutional domain of religion. Our public school teachers are no longer sure of what values to teach and how to go about teaching them.

The vacuum created by this uncertainty has resulted in the introduction of numerous courses in the public school which amount to little more than political indoctrination. The educational materials distributed by the National Education Association on nuclear war claim to be neutral and unbiased, but in fact they are rife with propaganda for disarmament and the nuclear freeze. The entire enterprise of "peace education" largely consists of political values creeping into the chasm created by the abandonment of moral education. This is ironic, because on political issues there are frequently multiple points of view which should all get a hearing, whereas on many moral questions—especially the basic ones—there is very little ambiguity.

This is not to say that a return to moral education in the public school classroom would be an easy task. Russell Kirk has reminded us that we cannot expect "abrupt reform and speedy results." And yet "if there is no education for meaning, life will become meaningless for many. If there is no education for virtue, many will become vicious." We have got to face these difficult questions and come up with satisfactory answers.



As usual, the past provides clues to the solutions that exist. We know from history that all good educational systems, from Roman times, have taught the rising generation loyalty to parents and family, a sense of responsibility to the public order, duties to the community, a high value for human life, respect for nature and its creation, love of beauty and truth. A modern catalog of desired virtues that parents and teachers could agree on would be quite similar.

At a recent conference on education, Clark University professor Christina Hoff Summers was pressed to identify some clear issues of right and wrong by academicians who clearly felt that no such things exist. She replied:

> It is wrong to betray a friend, to mistreat a child, to humiliate someone, to torment an animal, to think only of yourself, to lie, to steal, to break promises. And on the positive side, it is right to be considerate and respectful of others, to be charitable, honest and forthright.

She met with a very skeptical reaction.

Of course, exceptions can be found to rules such as these. The problem with modern approaches such as Values Clarification is that they mistake the exception for the rule. A typical model problem that Values Clarification advocates use on children is: what do you do if you have no money and your mother is dying of starvation—is it all right to steal? Another common example is to ask children whom they would throw overboard if they were in a lifeboat with six people and could only stay afloat with five. These are interesting mind-bending dilemmas, but the vast majority of life's situations do not involve starving mothers and sinking lifeboats. They involve such mundane things as learning how to live in a family, showing up on time for work, displaying courtesy to fellow citizens, discharging responsibilities to the community and country. For these tasks, fairly simple rules should suffice.

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In a recent speech, Mark Curtis, president of the Association of American Colleges, argued that today "there is a pervasive sense that values are private, personal matters, rising from individual subjective preferences or even prejudices, not from widespread agreement on the basic ends and means to be used on the conduct of our life and dealings with others." But our "commitment to pluralism," Curtis said, should not "obscure the possibility that certain values can unite rather than divide us."

The fables of Aesop, the legends of Hans Christian Anderson, and the works of the Brothers Grimm, all make sharp distinctions between good and evil in a context that the child's mind finds exotic and appealing.

The most important unifying values that our public schools must teach, I believe, are the fundamental principles that are the basis for our free society and democratic government.

Such documents as the Mayflower Compact, the Declaration of Independence, and the Constitution embody the values of our Western heritage. They teach such things as the inviolability of the individual, the rule of law, and the rights and duties that citizens incur when they enter into civilized society with the purpose of protecting themselves, promoting the general welfare, and enjoying freedom. In today's society, we are very conscious of "rights," whether they be civil rights or human rights. But as de Tocqueville said, "The idea of rights is nothing but the conception of virtue applied to the world of politics." Ironically, while rights multiply in our society, we have lost our common vision of what values undergird those rights and make them worth having.

Cicero writes in *De Res Publica* that "Our age inherited the Republic like some beautiful painting of bygone days, its colors already fading through great age, and not only has our time neglected to freshen the colors of the picture, but we have failed to preserve its form and outlines." This is our predicament today. We cannot subsist forever on the moral capital of the past. It is not just social continuity or personal happiness—it is the very future of our political system, of democracy and freedom—which require that we be alert to moral values, and pass them on to our children.

Moral education is not the same thing as religious education, and teachers in public school classrooms are not permitted to teach theology. But constitutional prohibitions on promoting sectarian religious beliefs should not be used as an excuse to avoid teaching about the role of religion in our history and culture. Professor Paul Vitz in an Education Department study documented a shocking bias against religion in textbooks commonly used in our schools. The Pilgrims, for example, are identified as "people who make long trips" and Christmas as "a warm time for special foods." Not only is this a form of censorship, but it severely damages our children's moral development because so many of the values Americans can agree on have as their source the Judeo-Christian ethic.

Here, for example, is a lesson from McGuffey's *First Reader,* a very popular textbook in public schools until quite recently. "Always do to other children as you wish them to do to you. This is the Golden Rule. So remember it when you play. Act upon it now, and when you are grown up, do not forget it." Suspicious lawyers for the American Civil Liberties Union might detect that this sounds alarmingly like something Christ once said. But what if it is? To teach about the values of the Jewish and Christian religions (as distinct from the doctrine) is to teach love, dignity, forgiveness, courage, candor, self-sacrifice—all the highest manifestations of what it means to be alive and to be human.

In our effort to identify values that can be taught in public schools, we should attempt to discover a common body of ethical knowledge that, even if it has a religious origin, serves the purpose of maintaining and strengthening devotion to our country, to democratic institutions, to fellow citizens, to family members, and finally to an ideal of human dignity.

The Role of Literature

Once we can agree on the values that are to be taught, there remains the question of how to teach them. I do not think that the best approach is to preach to students or to ask them to write "I will not lie" a hundred times on the blackboard. Obviously there is a place for propositional teaching—setting forth a set of moral propositions and getting students to memorize them. But there are other ways to transmit values that are more effective over the long term.

Perhaps the method of moral education that would harmonize best with the existing curriculum would be to demonstrate the working out of moral rules through experience. Several courses in the humanities and the social sciences provide teachers with the opportunity to view such principles in action. Sometimes conflict in the areas of history or literature provides a wonderful dramatization of moral ideals set against each other. This not only exposes students to the relevant ethical criteria, but it complicates the issue by making them choose, as indeed in real life we frequently have to do.

In literature, we have the example of Raskolnikov in Dostoyevsky's novel *Crime and Punishment.* Here is a very intelligent young man who has developed a great deal of pride and some very strange theories. He convinces himself that he is justified in murdering an old woman and stealing her money because he is a superior person to her, and because she—being ugly and miserly—does not deserve her possessions. Surely Raskolnikov can do more good with her money than she is doing now, he reasons, his pride leaning on a defiant utilitarianism.

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Yet through the fabric of the novel, Dostoyevsky illustrates the disastrous consequences of this thinking. He gives the reader, with great force, a sense of the urgent need for moral norms which transcend cost-benefit analysis, the need for a principle which affirms the moral dignity of the human being above considerations of what they look like and what they are "worth." Because we are creatures of God, Dostoyevsky shows, we are equal in His image. *Crime and Punishment* is many things, but it is an excellent example of moral education.

Naturally very young minds might find Dostoyevsky too complex. But there are numerous alternatives. The fables of Aesop, the legends of Hans Christian Anderson, and the works of the Brothers Grimm, all make sharp distinctions between good and evil in a context that the child's mind finds exotic and appealing. Even films like *Star Wars* illustrate the benevolent force and the evil force in conflict. In my own childhood, I remember reading Rudyard Kipling's *Jungle Book*. Then, of course, there is Kipling's fascinating and moving poem "If," which consists of wise and timely advice from a father to his son, advice from which all young children could benefit immensely.

Recently *U.S. News and World Report* asked the American Federation of Teachers for some simple moral lessons that could be derived from children's texts. The A.F.T. provided the example of the Bible: "And the Lord said to Cain: where is Abel, thy brother? And he said: I know not. Am I my brother's keeper?" This can be used to teach responsibility. In the *Story of Pinnochio* we read, "Lies, my dear boy, are found out immediately because they are of two sorts. There are lies that have short legs and lies that have long noses. Your lie, as it happens, is one of those that have a long nose." This can be used to teach honesty. Finally, in *To Kill a Mockingbird* by Harper Lee we read, "You never really understand a person until you consider things from his point of view . . . until you climb into his skin and walk around in it." This can be used to teach compassion and empathy.

As students grow older and are exposed to more sophisticated works, they can understand moral principles of a higher order. *Hamlet* is not just a morality tale which says you should not commit murder and incest; it is about the paralysis of indecision in the face of moral obligation. *King Lear* is about the ingratitude of the young, but it is also about the imperiousness of the old. Moral principles can be stated with clarity at a young age, then refined in higher grades. Patriotism can be presented in the first grade as a virtue, but later students must be taught not to be uncritical of their country. "For us to love our country, our country ought to be lovely," as Edmund Burke remarked.

Our children will retain their moral principles only when they have been thoroughly explored and students have had an opportunity to see them challenged and successfully defended. Even the good people in the classics didn't always behave well. Achilles was pompous and cruel, Saint Peter was cowardly, Lancelot and Guinevere committed adultery. But these stories leave no doubt about how they should have acted, and the heavy price of their misdeeds is outlined. Children need to see that immoral actions have serious consequences—that virtue is not something you just talk about, but something you do.

I have great confidence in the power of stories to teach. Flannery O'Connor once said that "A story is a way to say something that can't be said any other way—you tell a story because a statement would be inadequate." The literary device of showing instead of telling is a very effective way to convey truths to young minds.

Then there are the lessons of history. Recently I read a very disturbing comment by Richard Hunt, a Harvard professor who teaches a course on the Holocaust. Professor Hunt reports that over half his students felt that Hitler and the Nazis were not to blame for their atrocities. The students believed that Hitler's rise was "inevitable," that it was impossible for Britain and France to have resisted German imperialism, and that no one was really responsible for what happened in the end. "No-fault history" is the term Hunt used to describe his student's refusal to ascribe moral responsibility to historical actions.

From Napoleon and Hitler, who were finally destroyed by their blind ambition, students can see where the totalitarian instinct leads.

Most of these students seem to have been influenced by theories like determinism and behaviorism, even though they may not know it. It is important for those who teach history in the public classroom to convey clearly the notion that historical events and conflicts are rife with moral meaning, that the human beings who took part in them chose actions which had consequences, and that many similar moral choices are before us today.

From Napoleon and Hitler who were finally destroyed by their blind ambition, students can see where the totalitarian instinct leads. From the Roman wars, students can learn about great valor but also about conceit and cruelty—this great civilization held slaves and treated them inhumanely. Of course, evil is not always extinguished in history—Stalin, after all, died in bed—but by making itself known, it incurs the harsh judgment of posterity and becomes a lesson in what successive generations should abhor and avoid.

Our goal in teaching values is not merely the transmission of a desired set of beliefs. Rather, it is a process, integrated into the general curriculum, which provides students with a clear articulation of the norms and concepts that have sustained this free and democratic society since its founding; which informs the student, at appropriate stages of development, of alternative value systems; which encourages a comparison between them; which gives the student the tools to examine and defend personal beliefs; which brings students into contact with the moral circumstances of the past; which gives the student the justification and the equipment to participate in the conservation and improvement of this civilization of ours.

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WORLD'S LARGEST DEBTOR

The Risks of America's New Role as Capital Importer

DAVID D. HALE

The industrial nations are now experiencing a structural upheaval in their balance of payments which threatens to throw the world economy into a disastrous repeat of the competitive devaluation, protectionism, and debt repudiation of the early 1930s.

During the past three years, the United States has become the world's largest capital importer and is now borrowing externally sums equal to three to four percent of GNP per annum, compared to only one to two percent during the late 19th century. If the current rate of borrowing continues, the United States will have an external debt exceeding $1 trillion by the early 1990s. There is nothing wrong with external borrowing, but the United States still has the habits of a creditor nation. Too much of this overseas borrowing is being used to finance defense spending and private investment on non-tradeable economic sectors, such as commercial real estate development. If the country's external debt grows, the United States will have to allocate more investment in tradeable good industries in order to generate export income for debt servicing.

Japan, by contrast, has become the world's largest creditor—its net external assets will exceed $500 billion by the early 1990s—but it still has the habits of a debtor. Creditor nations have traditionally run trade deficits in order to give their borrowers the wherewithal to grow and service their debts. But Japan, and to a lesser extent West Germany, are moving toward large surpluses on both external investment income and trade. Meanwhile, capital has stopped flowing to the developing countries, which were an important engine of world growth in the 1960s and 1970s.

There is no reason why the United States cannot remain a net capital importer, and Japan and Germany net exporters. The flow of capital into the United States results not only from large American budget deficits, but also from economic changes of a more permanent nature, including the increasing mobility of capital in the world financial system, structural changes in the U.S. tax system, and faster population growth in the United States than in Japan and Europe. The danger is that unless there is a more balanced American growth and a more broadly based global expansion than has occurred so far in the 1980s, the rapid growth of U.S. indebtedness will generate political pressures for massive devaluation of the dollar, thus threatening the stability of the entire international economic system. U.S. indebtedness could also have adverse implications for western security by reducing the willingness of the American people to support high levels of defense spending for Europe and Japan.

At first glance, it seems inconceivable that the United States should be a capital importer. During the 19th century, the United States was a developing nation and imported capital, but during most of the 20th century, the United States has been a capital exporter. It first shifted from debtor to creditor status during World War I by recycling as loans its export earnings from selling food and military supplies to Britain and other allies. In the 1920s, the Federal Reserve pursued a highly expansionary monetary policy specifically designed to stimulate world growth by encouraging large U.S. capital outflows to Latin America and Europe. After 1945, the United States became the world's central banker. Because of the dollar's de facto status as world reserve currency, the United States was able to export dollars through military spending or asset purchases, which foreigners stockpiled in private portfolios or central bank balance sheets. As President DeGaulle often complained, the dollar's unique status allowed the United States to run capital account deficits in excess of its trade surpluses because those deficits were the world's major source of new liquidity growth.

Aside from the dollar's special international status, it was conventional wisdom until recently that industrial nations should aim for current account balances and that only developing nations should import capital. So far in this decade, though, world balance of payment trends have turned this assumption upside down. The major capital importers have been industrial nations; the United States followed by Australia, France, and a few Scandinavian countries. Most developing countries have ceased to import capital on a large scale, while a few newly industrialized countries, such as Taiwan, have even become large scale capital exporters. Whereas the dominant capital flows in the world economy during the 1970s were between OPEC and the developing nations via the large

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American banks, the major growth area in global financial intermediation today consists of securities purchases in North America and Australia by the pension funds and other investment institutions of high savings societies in East Asia and continental northern Europe. At current rates of borrowing, the United States is likely to have a net external debt of $1 trillion by the early 1990s, compared with an external investment surplus of nearly $200 billion in 1982.

Reagan's Global Keynesianism

Most discussions about America's emergence as a large external debtor treat the phenomenon as an unsustainable abnormality resulting from freakish policy developments during the early 1980s.

First, the United States has been running a highly expansionary fiscal policy since 1981, which has outstripped the economy's domestic financial resources. The combination of a large federal budget deficit, a large increase in private sector investment, and strong consumer spending from 1983 to 1986 created a savings shortage that forced the United States to become a large-scale capital importer for the first time since 1914.

Second, most other major industrial nations have been running economic policies which are fiscally divergent but financially complementary to policies in the United States. While the federal budget deficit in the United States has grown from one percent of GNP in 1980 to four to five percent recently, the opposite has happened in Japan and Germany.

As a result, Japan and Germany have been generating excess savings, while the United States has become the world economy's borrower and spender of last resort. Although Reaganomics was originally sold to the American public as a supply-side program for stimulating domestic output through enhanced tax incentives for work, savings, and investment, it inadvertently evolved into the world's first experiment in global Keynesianism.

Third, there was a sharp decline in bank lending to the developing countries after 1982, which further increased the supply of surplus global liquidity available for financing U.S. credit demand.

Finally, the United States still has the world's largest and most diversified financial markets, while the dollar itself continues to account for nearly 70 percent of all foreign exchange reserves. The U.S. financial markets are a natural receptacle for the world's surplus liquidity. Despite floating exchange rates, the dollar's reserve currency status continues to create a portfolio demand for the currency beyond that needed for ordinary commercial transactions. In the 1950s and 1960s, this demand was satisfied through capital account deficits. In the 1980s, it has been satisfied through current account deficits.

While cyclical policy divergences and the Third World debt crisis can explain much of the rise in U.S. external borrowing during the 1980s, it is unclear whether the factors behind the emergence of the United States as an external debtor are as totally cyclical and transient as most analysts contend. Although the United States has been a capital exporter during most of the 20th century, there is no theoretical reason why it should depend solely on domestic savings to finance its growth. The movement of capital in the world economy is dependent upon many different factors, not merely whether a country is rich or poor. Where can resources be employed most productively? Does the political system of a country guarantee

U.S. Savings & Investment

as a % of GNP

	1970	1973	1976	1979	1982	1985
SAVINGS:						
Gross Private Savings	16.2	18.0	18.0	17.8	17.6	17.2
Personal Savings	5.7	6.5	5.4	4.7	4.9	3.6
Net Corporate Savings	1.8	2.7	2.6	2.5	0.6	2.7
Depreciation	8.7	8.7	10.1	10.6	12.1	10.9
Federal Govt. Surplus	-1.2	-0.4	-3.0	-0.6	-4.6	-5.0
State & Local Govt. Surplus	0.2	1.0	0.9	1.1	1.1	1.5
Gross Savings	15.2	18.5	15.9	18.3	14.1	13.8
Net Foreign Investment	0.5	0.6	0.5	0.1	0.0	-2.9
INVESTMENT:						
Gross Private Investment	14.7	17.6	15.6	18.1	14.1	16.5
Inventory Change	0.3	1.4	0.9	0.5	-0.8	0.3
Residential Fixed Investment	4.0	5.4	4.6	5.5	3.3	4.8
Nonresidential Fixed Investment	10.4	10.7	10.1	12.1	11.6	11.5
(Net Nonres. Fixed Investment)	1.9	2.6	2.0	3.7	1.4	-0.2

The U.S. savings rate has changed little in response to the Reagan tax program enacted during 1981. As a result, the large rise in private investment and public borrowing forced to the U.S. to become a capital importer. The new tax reform program may reduce the need for foreign borrowing by depressing investment during 1987.

Graph by Karen Portik for *Policy Review*.

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property rights? Is public policy supportive of economic growth? In the late 19th century, for example, a large share of British overseas investment was concentrated in countries which actually had a higher per capita income than Britain, including the United States and Australia. Several structural changes now occurring in the world economy suggest that the United States could again be a long-term capital importer even if its budget deficit shrinks and fiscal policy overseas becomes less restrictive.

Unless there is more balanced American growth and a more broadly based global expansion than has occurred so far in the 1980s, the rapid growth of U.S. indebtedness will generate political pressures for massive devaluation of the dollar.

First, private capital enjoys greater freedom of movement in the world economy today than at any other time since 1914. Second, the United States has been pursuing a radical tax reform program, which could alter the American economy's relative growth rate in the future. Third, the major industrial nations are in the midst of a demographic upheaval which will cause the population of Europe and Japan to age quite rapidly during the next few decades, while the population of the United States is likely to age more slowly.

Worldwide Capital Mobility

In most industrial countries today, private investors enjoy far more freedom of movement in deploying their funds than at any time since World War II. Exchange controls were prevalent in most industrial countries during the 1950s and were not uncommon after that. In the past decade, though, there has been a steady international progression towards both domestic and external financial liberalization, starting with the United States in the mid-1970s, Britain in 1979, and Japan more recently.

Except for U.S. attempts to offset the growth-retarding effects of protectionism during the 1920s with heavy purchases of foreign bonds, now is the first time since 1914 that there have been large movements of private portfolio capital between the major industrial nations. Until recently, transnational investment consisted primarily of official aid, direct expenditures on plant and equipment, or Eurodollar bank lending, which was largely a recycling of OPEC's payment surpluses. Stock markets and bond markets were not important conduits for capital flows; pension funds, which now account for 20 to 30 percent of gross savings in many counties, were typically limited to domestic investing. Financial deregulation, as well as developments in computer and communications technology, have created a new global framework for capital mobility more akin to the 19th century British empire and its financial appendages (Argentina and the United States) than anything which we have so far experienced in the politically tumultuous 20th century.

On an informal basis, the financial markets have created a dollar currency area in the world economy which extends beyond the narrow confines of the official U.S. balance of payments and which often produces self-correcting adjustments in trade and capital flows. In the 1970s, for example, the United States loaned funds to Latin America, which were recycled back to this country in the form of orders for new machinery or capital flight to purchase securities and real estate. The recent expansion of the U.S. trade deficit with Latin America simply reflects the fact that funds that flowed to the Spanish-speaking sections of the dollar financial area during the 1970s are now funding homebuilding, defense expenditures, and personal consumption in the United States itself. If these funds were still flowing to Latin America, the trade deficit would be smaller but U.S. interest rates would be higher and domestic consumption weaker.

In the 1980s, a comparable relationship has developed between the United States and East Asia in the opposite direction. Japan has become the Western pillar of the dollar financial area, while the United States has become the eastern half of a greater Japanese co-consumption sphere spanning the whole Pacific Basin. Although less well known, a similar trade and financial recycling relationship also has developed with Taiwan, which now has $30 billion of foreign exchange reserves. If we adjust the U.S. balance of payments for these relationships, the external deficit of the dollar currency area is smaller than the payments deficit of the United States itself. Because today's global intermediation process is market-driven, there is no guarantee that Asians will always be willing to hold large stocks of dollar financial assets, but in the 1980s no one else has financial markets deep enough to absorb the huge pools of liquidity created by international financial deregulation, restrictive European and Japanese fiscal policy, and the U.S. import boom.

Radical Tax Reform

The second factor that has driven more of the world's surplus savings to the United States since 1980 has been the leadership of the Reagan Administration in encouraging large reductions in personal and corporate taxation. The 1980s have been an era of tax reform throughout the industrial world, but no other country has gone as far as the United States in reducing both average and marginal tax rates. While discussions of the Reagan program's international effects have focused primarily on the stimulus it gave to aggregate demand, it is also important to examine the microeconomic effects of the Reagan tax cuts on investment spending, interest rates, and capital flows.

The Reagan Administration's first tax program in 1981 significantly expanded corporate depreciation allowances while reducing marginal tax rates on personal investment income to their lowest level since the 1920s. The higher

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after-tax return on real assets increased the U.S. economy's equilibrium level of real interest rates and encouraged a capital spending boom which quickly outstripped America's relatively inelastic supply of domestic savings. Indeed, some U.S. corporations have actually reduced their pension contributions since 1984 because high investment returns were causing them to become overfunded.

The post-1981 rise in the U.S. trade deficit was the means by which the world financial system corrected the savings imbalance resulting from higher American investment returns. First, the expansion of the trade deficit provided foreigners with the extra income needed to purchase U.S. securities. Second, the loss of American trade competitiveness depressed output in many tradeable goods sectors and thus helped to bring overall U.S. asset returns back into line with those available elsewhere.

In economic theory, it is impossible to have a high profit sector indefinitely, as capital will flow into it until profits are equalized. In the case of the U.S. economy after 1981, this process occurred through appreciation of the exchange rate and the increased penetration of U.S. markets by foreign manufacturing industries. Ironically, what the Treasury gave U.S. industry through expanded tax allowances, the currency markets took back through a commercially uncompetitive dollar exchange rate.

The growth of the federal budget deficit and monetary policy uncertainty also contributed to the upsurge of U.S. real interest rates after 1981, but private investment would have been much weaker and hence interest rates lower without the expanded depreciation allowances. It was the interaction of changes in U.S. microeconomic policy with financial liberalization in other countries, not merely divergent budget deficits, that made possible a large rise in U.S. private and public borrowing financed by foreign savings. Indeed, the country that has been the largest exporter of savings to the United States recently is also the country that has a tax system that is most complementary to America's—Japan.

The United States has a low personal savings rate and a high cost of capital because it provides tax allowances for all forms of personal or corporate borrowing. The 1981 tax bill helped to compensate for America's high cost of capital by greatly expanding the corporate sector's depreciation allowances. Japan, by contrast, has a tax system which subsidizes investment more indirectly. There are high tax rates on corporate incomes and few allowances for investment.

But the Japanese cost of capital is relatively low because of meager tax allowances for personal borrowing, large tax allowances for savings, and financial regulations which discourage personal borrowing. A Japanese family with two children, for example, can have nearly $250,000 in tax-free savings, but tax allowances for mortgages are equivalent to only .2 percent of Japan's national budget, compared to four percent in the United States. In an age of capital mobility, it is logical that a country which subsidizes savings but not investment (Japan) should export capital to a country which subsidizes investment but not savings (the United States).

In fact, Japan had a current account surplus approaching three percent of GNP as far back as 1972, long before there were complementary U.S. and Japanese budget deficits. This reflected a structural tendency towards oversaving in Japan which was disguised for a decade by rising oil prices. But for OPEC, Japan might have become a major capital exporter to the United States and other countries in the mid-1970s.

Constraints on Borrowing

Obviously, there are limits to how far national rates of saving and investment can diverge. As the United States imports capital, it has to build up a stock of export generating assets in order to satisfy future debt servicing obligations. On a global basis, one can also question the optimality of resource allocation resulting from the interaction of highly divergent tax systems within a framework of uncon-

General Government Financial Balances

Surplus (+) of deficit (-) as a percentage of nominal GNP/GDP

	1980	1981	1982	1983	1984	1985	1986
United States	-1.3	-1.0	-3.5	-3.8	-2.9	-3.5	-3.4
Japan	-4.4	-3.9	-3.6	-3.7	-2.2	-1.3	-0.8
Germany	-2.9	-3.7	-3.3	-2.5	-1.9	-1.1	-0.8
France	+0.2	-1.8	-2.7	-3.1	-2.9	-2.6	-2.5
United Kingdom	-3.5	-2.8	-2.3	-3.7	-3.9	-3.1	-3.2
Italy	-8.0	-11.9	-12.6	-11.7	-13.0	-14.0	-12.9
Canada	-2.7	-1.6	-5.0	-6.2	-6.2	-6.1	-5.0
Netherlands	-4.0	-5.5	-7.0	-6.5	-6.2	-5.0	-6.9
Sweden	-3.7	-4.9	-6.3	-5.0	-2.3	-2.3	-1.2
Australia	-1.4	-0.5	-0.2	-3.7	-3.4	-3.0	-2.2

There has been an unprecedented divergence in the fiscal policies of the major industrial nations during the 1980's. Policy has highly expansionary policy in the U.S. but more restrictive elsewhere.

Graph by Karen Pornik for *Policy Review.*

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trolled capital mobility. Should the United States, for example, be exporting manufacturing jobs to an overcrowded chain of Asian islands, where per capita incomes now exceed $16,000 per annum but 60 percent of the homes are not yet connected to sewers, so that its workaholic citizens can generate a savings surplus which is then recycled back across the Pacific via the Treasury debt market to subsidize the construction of more vacant office buildings in Houston and Los Angeles?

Can the Federal Reserve maintain confidence in the dollar if national tax policy encourages U.S. corporations to become so top heavy with debt that there is strong political opposition to future monetary restraint?

Whatever the potential distortions, though, the constraints on U.S. external borrowing in a world without capital controls are likely to be qualitative microeconomic factors, not just simple debt/GNP ratios. When will foreign investment depress U.S. asset returns by saturating profit-making opportunities in the nontradeable as well as the tradeable sectors of the economy? Can the Federal Reserve maintain confidence in the dollar if national tax policy encourages U.S. corporations to become so top heavy with debt that there is strong political opposition to future monetary restraint? Will the growth of import penetration so depress manufacturing investment that the U.S. economy slides into a recession?

Effects of Tax Reform

The importance of relative asset returns in driving capital flows is illustrated by the fact that the dollar's past movements have often correlated pro-cyclically with the performance of the U.S. economy. When U.S. growth is robust and the American economy offers high real asset returns, the dollar tends to be in demand. When the U.S. economy performs poorly or American asset returns are too low to compensate for the risk of inflation, such as in the late 1970s, the dollar usually declines.

The dollar's fluctuations since 1984 demonstrate this pattern clearly. The dollar began declining during mid-1985 even before the New York G-5 summit conference because the gap between American asset returns and foreign asset returns was narrowing, due to slower growth in the U.S economy and faster rates of recovery outside North America. As the benefits of the Reagan fiscal stimulus flowed increasingly to foreign imports, American manufacturing output stalled and U.S. interest rates fell.

Although the financial media have often described the dollar correction of the past six months as being primarily the handiwork of the G-5 summit conference, the fact is that it merely speeded up a correction that was already in progress. The Secretary of the Treasury, James Baker, deserves a lot of credit for helping to blunt protectionist pressure in the U.S. Congress by accelerating the dollar's correction, but he could not have brought the dollar down so quickly if the United States had been enjoying an economic performance comparable to 1983-84.

What remains to be seen in 1987-88 is whether the new U.S. tax reform bill will attract even larger capital flows to the American economy by reducing personal tax rates or whether the bill will depress growth and reduce capital inflows by increasing effective business tax rates.

While the 1986 tax reform bill will produce large reductions in nominal tax rates for both corporations and individuals, its impact on effective tax rates is more mixed. The curtailment of tax allowances for investment will increase the effective aggregate tax rate of the U.S. non-financial corporate sector from 25 percent to 31 percent, with the largest increases occurring in the manufacturing sector. If one accepts the argument that the 1981 tax bill increased the economy's equilibrium level of real interest rates by boosting asset returns, the higher tax rates on business should lower investment returns, reduce interest rates, and depress the dollar. It also could be argued that the tax reform bill will reduce the American economy's need for external savings by boosting the personal savings rate, but it is unclear whether the savings effect of tax reform will be significant. Historically, the U.S. personal savings rate has been very insensitive to changes in taxation and interest rates. Since the new tax law will only reduce effective marginal tax rates by a few percentage points and curtail many tax sheltered savings programs, it is possible that there will be only a modest savings response to tax reform. The introduction of a top personal tax rate of 28 percent versus 34 percent for the corporate sector, also could encourage firms to increase dividend payout ratios and hence reduce the supply of retained earnings available for financing capital expenditures. Under such circumstances, the gap between U.S. savings and investment could decline by enough to reduce the country's need for external savings more because of lower investment spending than higher savings.

While the microeconomic shock effects of tax reform are likely to depress the U.S. economy and the dollar exchange rate during the short term, its long-term impact will depend upon whether the economy and capital flows are more responsive to nominal tax rates or effective tax rates. If the economy is more sensitive to effective tax rates than nominal ones, tax reform will depress the dollar by reducing investment and external borrowing. But if nominal tax rates are as potent an influence on economic behavior as many supply-siders promise, there could ultimately be a significant improvement in U.S. growth performance, which would increase the country's need for external savings. The large reductions now occurring in American personal tax rates also could encourage a new brain drain to the United States from high marginal tax rate societies in Europe, Latin America, and Asia.

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One of the most immediate tests of the U.S. tax reform bill's potential on foreign capital and labor will be the response of the Canadian government to it. In recent decades, Canada has pursued a typically corporatist fiscal policy of taxing individuals heavily and corporations lightly. As with the United Kingdom before Thatcher, Canada's marginal tax rates on personal income are far above tax rates in the United States but Canada's depreciation policies are among the most generous in the industrial world. If Canada persists with such tax policies while maintaining a relatively open trading relationship with the United States, North America could become an interesting laboratory for testing the impact of tax incentives on resource allocation. The large differentials between U.S. and Canadian taxation should encourage firms to locate their capital intensive operations in a high depreciation corridor along the Ontario border, and their labor intensive activities in a low personal tax corridor on the American side of the border. Under such circumstances, Canada could develop an economy consisting of only three major sectors—the government, traditional resource extraction industries, and a string of robot-operated manufacturing facilities managed by satellite remote control from the headquarters of expatriate Canadian firms located in Buffalo, Detroit, and Florida.

The Impact of Demography

The third factor which appears to be altering the direction of capital flows in the world economy today is demography. The populations of Japan and continental northern Europe are aging rapidly while the population of North America is aging more slowly. By the year 2010, more than 40 percent of the population of both Germany and Japan will be at retirement age, compared to 29 percent and 15 percent today. In the United States, by contrast, pensioners will still comprise only 25.6 percent of the population in 2010, compared to 24 percent today. These demographic trends provide one of the strongest arguments for why the United States is likely to remain a capital importer.

First, in an open and integrated world economy, rich but aging societies should export capital to countries with young populations in order to build up a stock of productive assets for servicing future retirement needs, as happens between different generations within industrial societies themselves. Since the United States has a much younger population than Europe and Japan, it is a logical user of their retirement savings. In fact, one of the major motivations for the restrictive fiscal policies which Japan and Germany pursued during the first half of this decade was concern about unfunded state pension obligations doubling their public sector debt as a share of GNP during the early years of the next century.

Second, the United States is more tolerant of large-scale immigration than Japan or many European countries. Thus, while the U.S. indigenous birthrate is declining, total American labor force growth should continue to be bolstered by an influx of people from Latin America and Asia. With the number of legal and illegal migrants to the United States averaging 1.5 to 2.5 million per annum, U.S. immigration is well below the levels of the early decades of the 20th century, when immigration rates were equal to nearly 10 percent of the existing population. But even a U.S. labor force growth rate of only two to three percent still makes for a significant contrast with the shrinkages now projected to occur in Europe and Japan.

The third reason projected demographic changes are likely to encourage capital flows to the United States is that the high cost of funding retirement obligations could lead

Aging of Populations

Number of Pensioners as % of Labor Force

	1985	2010*	2030
US	24.0	25.6	41.5
Japan	18.3	40.1	42.7
West Germany	29.0	40.8	63.6
France	31.0	39.5	54.6
Britian	30.3	28.1	37.6
Italy	27.1	33.6	46.5
Canada	16.0	22.6	39.4

*OECD projections

One of the major reasons why the U.S. could be a capital importer during the next few decades is the fact that the population of Europe and Japan are aging far more rapidly than the population of the U.S.

Graph by Karen Portik for *Policy Review*.

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to a sharp rise in European tax burdens during the early years of the next century. Under such circumstances, the governments of Europe will have to choose between raising retirement ages, reducing tax progressivity drastically, or losing more young workers to North America.

As there is no precedent since the Industrial Revolution for the kind of demographic upheavals which now confront Europe and Japan, it is possible that traditional relationships between population movements and capital flows will be reversed. Instead of exporting capital to the United States and other regions with young populations, Europe and Japan may develop such capital intensive economies that they ultimately end up utilizing more of their savings at home (assuming technology actually permits such large scale substitution of capital for labor). The free movement of people permitted within the European Common Market also may encourage a large migration of Greeks, Spaniards, and Irish, whose birth rates are well above the European average, to Germany, France, and Holland. Whatever the exact course Europe and Japan pursue, demography will become a progressively more important influence on growth rates, tax burdens, and capital movements during the final years of the 20th century.

The Risks of External Borrowing

While there are several structural reasons why the United States should remain a capital importer, the transformation now occurring in the American balance of payments will still provide a major challenge to economic policy makers both here and overseas.

First, U.S. financial markets will become increasingly vulnerable to interruptions of capital flows resulting from changes in foreign monetary policy or investor perceptions of the United States. On three occasions in the 19th century, there were large increases in U.S. interest rates because of crises in the British financial markets. Today, the U.S. financial markets are becoming equally sensitive to changes in Japanese monetary policy.

Unlike most developing countries, the United States enjoys the advantage of being able to borrow in its own currency. Whereas countries such as Mexico have to service their foreign loans in appreciating dollars, the United States could reduce its real debt servicing burden by devaluing the dollar. In fact, some analysts believe the United States should devalue the dollar simply to tax Japanese investors for the cost of defending their country. Such a strategy would be risky because it could ultimately produce a large rise in the U.S. inflation rate and hence be costly for domestic investors, not just foreign ones. As in the 1970s, it would probably trigger panic selling of U.S. financial assets and eventually require an excessive amount of Federal Reserve tightening to restore confidence in American policy.

Although the U.S. Treasury has successfully talked the dollar down since 1985 without destabilizing domestic financial markets, it is important to remember that the large

Is Reaganomics Leading

There is a strong disagreement among U.S. economists about whether the Reagan program of tax cuts without spending cuts was the optimum way to pull the world economy out of recession during the early 1980s. Critics such as Martin Feldstein or David Stockman would emphasize the damage done to American manufacturing industry by large external borrowing and the opportunities for growth which would have resulted from lower interest rates and a less overvalued dollar exchange rate. Supporters of the Reagan policy argue that high real interest rates, the overvalued dollar, and the U.S. trade deficit resulted solely from monetary policy and that the Reagan program was a boon to both the United States and the world economy.

Since it is impossible to isolate one component of policy from its secondary effects on other aspects of policy, not to mention other countries, there is no way of conclusively demonstrating that the economy would have behaved much better or much worse in the short term under a policy mix different from Reagan's. A smaller budget deficit probably would have produced less extreme changes in the level of real interest rates, the dollar, and the trade deficit, but there were sufficient elements of a liquidity trap present in the global economy during the early 1980s to suggest that the Reagan Administration's expansionary fiscal policy was, on balance, a positive force for recovery.

Problems of Policy

First, the world was in transition to a sharply lower inflation rate during the early 1980s: as in previous periods of price adjustment, nominal interest rates would have lagged behind changes in economic fundamentals with or without large budget deficits.

Second, many central banks were using money supply growth targets as policy anchors during the first half of the 1980s, despite the fact that disinflation and falling interest rates had altered the stability of the money demand relationship that was the original justification for such targets. Since money velocity fell by far more than economists expected, as a consequence of disinflation and deregulation, these targets gave an excessively restrictive bias to monetary policy, which would have made it difficult to stimulate world recovery without an expansionary fiscal policy.

Third, the economies of Japan, Germany, and some other European countries do not appear to be as responsive to interest rate stimulus as the U.S. economy. Their consumer lending sectors are less developed; their demand for new homes and consumer durables is now constrained by static or shrinking population growth; their business sectors would have had ample unused capacity from 1982 to 1984 and hence little incentive to invest without a large rise in exports to the United States.

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U.S. interest rate decline during 1985 and early 1986 produced capital gains in bond prices greater than the dollar's depreciation. If Japanese and other foreign investors cannot find some financial or real asset in the United States capable of generating capital gains in excess of probable currency losses, they will purchase dollar financial assets only if there is a large rise in U.S. interest rates, or such a sharp correction in the exchange rate that the dollar itself becomes a good speculative buy. As a result of this country's need for external savings, both the U.S. Treasury and the Federal Reserve will have to be highly sensitive in the future to foreign perceptions of U.S. economic policy. Traditional capital importing countries, such as Australia or Canada, have always conducted policy with an eye on the currency markets, but it has usually required significant foreign exchange market instability to focus American attention on foreign perceptions of domestic policy.

The second constraint created by America's growing external debt will be a need for increased allocation of investment to tradeable goods industries. Historically, countries with large external debts have had to run trade surpluses in order to service their loans. Since the U.S. will probably have a net external deficit on investment income of $100 to $150 billion by the early 1990s, it also will have to move gradually towards a trade surplus in order to prevent the total current account deficit from expanding exponentially. While there was a healthy rise in business capital spending from 1983 to 1985, the investment share of GNP is still far below its previous highs. The overvaluation of the dollar between 1981 and 1985 also appears to have encouraged an overconcentration of investment in nontradeable sectors of the economy. Investment in commercial real estate has risen to record levels as a share of GNP since 1982 while investment in the manufacturing industry has increased by much less.

Reviving U.S Manufacturing

Since rising import penetration and weak exports have depressed U.S. capacity utilization rates, it is not surprising that manufacturing investment has stagnated while commercial real estate has boomed. In many ways, the American tax shelter industry evolved into the Republican equivalent of the 1930s' Works Progress Administration. But if the United States is to remain a capital importer on a long-term basis, there will eventually have to be a significant reallocation of resources to sectors producing tradeable goods and away from those catering to defense and domestic demand.

First, the United States will have to reduce the public sector's claims on domestic and foreign savings through some combination of spending cuts or tax increases, preferably on consumption. If the federal budget deficit remains at five percent of GNP, the country's domestic and external debt levels will continue to grow far more rapidly than investment. Such heavy borrowing will be easy for the financial markets to accommodate in an environment of

THE WORLD TO DEPRESSION?

In the case of the developing countries, meanwhile, it is doubtful that the money center banks would have extended additional credit to Mexico, Argentina, and many other Third World countries after 1982, even if U.S. interest rates had fallen more quickly than they did. A different U.S. policy mix would have reduced the debt servicing burden created by high interest rates. But smaller budget deficits also would have weakened U.S. consumer demand, and most models suggest that Latin America's balance of payments is more responsive to changes in American growth rates than to changes in the level of interest rates.

As is often the case in economic debates, both critics and supporters of Reaganomics have used too many simplistic generalizations and homilies in evaluating the program's effects. In 1982-84, when the United States was literally the world economy's borrower and spender of last resort, critics exaggerated the short-term risks posed by large budget deficits. Conversely, because the United States has easy access to foreign savings, supporters of the President's policy have underestimated the long-term dangers posed by large government deficits. If the Reagan program had been introduced during the early 1970s, when the world economy was much stronger, the United States would have found it more difficult to import capital, and hence the Federal Reserve would probably have had to monetize more of the government's borrowing in order to stabilize interest rates. But because the Reagan program coincided with the most severe world economic slump in half a century, it was possible for the United States to run a high deficit policy during the first half of the 1980s without major inflation risks.

Critics would argue that President Reagan has been incredibly lucky, but such a judgment is too glib. Some of the original architects of the Reagan program, such as Robert Mundell, predicted as long ago as the mid-1970s that the United States could become a capital importer with the right policy mix, while mainstream economists argued that savings in the world economy were insufficiently mobile to permit large capital flows between industrial countries.

The Reagan Administration's luck was that its unorthodox policies coincided with a number of a cyclical upheavals and structural changes in the world economy which facilitated heavy external borrowing by the United States. But while large American budget deficits were tolerable in the unusual global policy environment of the early 1980s, they will not be acceptable to the financial markets indefinitely. The challenge now is to encourage a gradual movement towards convergence in global fiscal policy, lower interest rates throughout the industrial world, and a sectoral rotation in the leadership of the U.S. economy from domestic consumption to tradeable goods manufacturing.

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sluggish growth, but it will leave the economy with a large debt servicing burden in the 1990s. This, in turn, will generate pressure for more rapid monetization of the federal deficit in order to restrain interest rates, accelerate the growth rate of nominal GNP, and reduce the real value of government interest payments. By leaving the budget deficit at such high levels, the Reagan Administration is also creating a risk that future Congresses may attempt to increase revenues by restoring high marginal tax rates without reinstituting the allowances that have traditionally been used to reduce effective tax rates. In contrast with the United States, most other industrial countries that have enacted tax reform programs during the 1980s have funded them through higher consumption taxes.

In an open and integrated world economy, rich but aging societies should export capital to countries with young populations to build up a stock of productive assets for servicing future retirement needs.

Second, other industrial countries will have to shift from export-led to domestic-led expansion in order to offset the growth retarding effects of U.S. fiscal restraint on the world economy. In 1985, the U.S. Treasury used G-5 summit conferences to lobby for more stimulative growth policies among its major trading partners. So far, the summit process has produced only modest changes in foreign fiscal policy while the outlook for deficit reduction in the United States has been clouded by uncertainty about implementation of the Gramm-Rudman bill and the revenue effects of tax reform. As a result, the United States is increasingly using the threat of dollar devaluation to force competitive monetary convergence and lower interest rates upon Germany and Japan. This policy will help to sustain growth in the short term, but it also carries numerous risks.

The dollar could fall so sharply that U.S. long-term bond yields would rise instead of declining with short-term interest rates. By relying so heavily on monetary ease to offset rigidities in global fiscal policy, central banks also could inadvertently encourage speculative excesses in stock markets and residential real estate prices. In fact, the German and Japanese economies are poorly equipped to respond to monetary stimuli alone.

Because of depopulation, Germany is estimated to have nearly a million vacant houses or apartments. Japan, meanwhile, is only starting to modify the structural bottlenecks in its taxation and regulatory policies which discourage homebuilding, personal borrowing, and private consumption.

In addition to monetary relaxation, Japan needs to reduce the direct taxation of labor income, liberalize its allowances for investment and consumer borrowing, and impose at least some tax on hitherto tax-exempt savings vehicles such as postal savings accounts. Tax rates on Japanese ordinary income are high (over 70 percent) because the tax base itself is limited by the large exemptions for investment income. Tax reform could have a more dramatic impact on the Japanese economy than simple increases in public spending because it would probably alter the household sector's overall propensity to spend.

Germany has been hostile to American suggestions for more stimulative fiscal policy because it expects at least three to four percent real growth in domestic spending this year and has unpleasant memories of the U.S. push for a synchronized global stimulus during the late 1970s. But Germany also could bolster its growth performance through structural reforms. Its marginal tax rates are among the highest in Europe, while its labor market is one of the most rigid. In fact, most German analysts expect the country's unemployment rate to decline more through work force shrinkage during the late 1980s than actual job creation.

Equity Investments in the Third World

The third component of any plan to revive U.S. manufacturing should be the creation of new programs for reviving capital flows to the developing countries. They were an important engine for world growth during the 1960s and 1970s, generating significant demand for U.S. capital goods exports. Since 1982, though, many developing countries have lost access to credit markets or even become net exporters of capital through debt servicing.

There will be no simple way to revive capital flows to countries suffering from economic mismanagement, depressed commodity prices, and flight of domestic savings. At the September 1985 International Monetary Fund meeting, Treasury Secretary James Baker took a useful step towards helping them by proposing expanded lending facilities as a quid pro quo for microeconomic reforms. So far, only Mexico has developed a conditional lending program broadly consistent with the Baker proposals. The new president of the World Bank, Barber Conable, wants to expand his agency's conditional lending program after many years of relying primarily on project finance loans, but it is unclear by how much and on what terms. Since the United States is now a deficit country without any excess savings, what the international aid agencies really need is the Japanese equivalent of a Marshall Plan for Latin America and Southeast Asia. If possible, the United States should try to encourage the development of such a plan as a quid pro quo for its defense spending commitments in the Pacific and open access to the American market.

In addition to new lending facilities, greater efforts must be made to encourage more equity investment in the developing nations. Countries such as Canada and Australia have been capital importers for many decades but primarily in the form of equity rather than debt. As a result, their property income payments to foreign asset holders fluctuate with the profit-generating capacity of their economies, not interest rates in New York and Tokyo.

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In the first few decades after independence, many developing countries resisted equity investment because they perceived foreign ownership to be a threat to local sovereignty. But with the debt crisis limiting opportunities for bank lending, opposition to equity investment should now diminish. Given the increasing internationalization of Wall Street, some investment banking firms might also be able to develop new hybrid bond and equity instruments for developing countries, perhaps offering investors some of the yield attractions of a junk bond (preferably linked to commodity prices) as well as warrants on local equity. The fact that U.S. retail investors purchased several billion dollars worth of Australian bonds during the first half of 1986 despite the chronic weakness of the currency, suggests that the New York junk bond market would now be receptive to selective Latin American paper. Equity mutual funds also have been launched recently for Thailand, India, Korea, and Taiwan.

The Role of Exchange Rates

Some commentators believe that reform of the exchange rate system will have to precede any further movement towards global convergence. In the long term, they are probably correct because the exchange rate system has to provide clear price signals to governments and investors about savings imbalances and resource allocation. In the first half of the 1980s, the U.S. Treasury encouraged the dollar's appreciation in order to sell more debt externally without paying any attention to how the money was being invested within the American economy. Many developing countries are now using highly competitive exchange rate policies to build up trade surpluses without letting real incomes rise by enough to encourage more investment in domestic consumption sectors. After the turmoil of the past decade, American business clearly needs reassurance that the exchange rate system will not be allowed to crowd out U.S. production of tradeable goods on the same scale as it did from 1982 to 1985.

Under present circumstances, exchange rate management will probably have to be a complement to the process of global policy adjustment rather than a precondition for it. If the world moves too quickly to establish rigid exchange rate zones, the United States could end up importing deflationary policies from Germany and Japan rather than exporting reflationary policies. In fact, international economic adjustment during the 1920s was actually handicapped by Britain's attempt to reestablish a pre-war exchange rate that its economy could not sustain. The United States could suffer a similar fate if it attempts to peg the dollar at too high a level before correcting its domestic savings/investment imbalance and shrinking the current account deficit.

As a result, exchange rate movements during the next several quarters are likely to remain levers for encouraging policy adjustment in Europe and Japan rather than final objectives in their own right. In fact, there are already a few signs that the United States and Japan may now start to synchronize their monetary policies in ways that could cause the German mark to rise sharply against both the yen and the dollar. This, in turn, should cause France and Italy to cut interest rates, devalue against the mark, and generate more pressure within Germany itself for a new economic policy mix.

Reliving the 1920s?

In many ways, the world economy is now confronted with a crisis of senility and adolescence in its balance of payments. The aging societies of Europe and Japan need to export capital. Many of the countries with young populations have lost the political and financial infrastructure for importing capital that existed during the colonial era or the special access to OPEC funds that occurred during the 1970s. Hence, by default, all of the world's surplus savings are flowing to a handful of middle-aged Anglo-Saxon societies in North America and Australia with large budget deficits, high consumption propensities, and aggressive financial systems capable of manufacturing tradeable debt. As the buoyancy of American consumer confidence surveys will testify, the excessive concentration of surplus global liquidity in the U.S. economy has been highly beneficial for domestic living standards. But it also has created a global economic equilibrium that is increasingly unsustainable. American manufacturing output has been stagnant for nearly two years, so U.S. business is lobbying aggressively for trade protection. If the United States continues to play the global Keynesian for several more quarters, American debt levels will reach such high levels that the Federal Reserve could ultimately be confronted with a liquidity trap in which the domestic economy would be unresponsive to falling interest rates.

In geopolitical and historical terms, the magnitude of the changes now occurring in the global balance of payments are unprecedented since the 1920s. Consider, for example, the similarity between the problems created by the changing international roles of the United States and Britain during that period and the United States and Japan today.

In the half-century before World War I, the British balance of payments had been the linchpin of the international economic system. As the dominant power, Britain had accumulated a large stock of external assets that generated a system of investment income equal to nearly eight percent of GNP. It used this income to run a trade deficit that allowed developing countries, such as the United States and Argentina, to earn export income for servicing their overseas loans. This equilibrium was shattered by World War I, which forced the liquidation of so many British assets that the country's external investment income shrank to only three to four percent of GNP during the early 1920s.

As Britain's ability to export capital diminished, the United States became the world's major creditor power. Under the leadership of Benjamin Strong, the Federal Reserve pursued an expansionary monetary policy in order to encourage capital outflows and stimulate world growth. But while the United States was eager to assume Britain's role as a supplier of capital, it continued to adhere to its 19th century tradition of protectionist trade policy. Moreover, despite active central bank policy coordination, U.S. monetary expansion alone could not overcome the international growth constraints resulting from war reparations, exchange rate misalignment, and trade restrictions. Instead, it generated U.S. stock market and real estate

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booms. While many of the historical circumstances are different, there are three important similarities between the current period and the 1920s.

First, if the U.S. trade deficit stabilizes at current levels as a share of GNP, the United States will experience a deterioration in its net external investment account comparable to that suffered by Britain as a consequence of World War I. An external investment income surplus equal to one to two percent of GNP in the early 1980s will become a deficit equal to two to three percent of GNP during the first half of the 1990s. Since the United States is not borrowing solely to finance military expenditures, the deterioration in its capital account will not have as damaging an effect on the economy as wartime borrowing did on Britain's. But the rapid growth of the U.S. external debt will still erode the country's growth potential if there is not an offsetting rise in the level of investment and exports required to service it.

The world's surplus savings are flowing to a handful of middle-aged Anglo-Saxon societies in North America and Australia with large budget deficits, high consumption propensities, and aggressive financial systems capable of manufacturing tradeable debt.

Second, as with the United States during the 1920s, Japan is now assuming the financial role of a great creditor nation without also assuming the trade role required to make the international system function properly. Japan is moving toward large surpluses on both external investment income and trade, whereas creditor nations have traditionally run trade deficits.

Finally, as in the 1920s, other potential growth centers in the world economy are unable to pursue expansionary policies because of large external debt burdens or inability to import capital. In Latin America, today's debt overhang is actually larger in GNP terms than Germany's reparations burden after World War I. As a result, many developing countries have pushed their currencies to deeply undervalued levels on a purchasing power parity basis in order to generate trade surpluses for debt servicing and to encourage growth through exports rather than external borrowing.

Because of structural changes now occurring in global capital mobility, taxation, and demography, there are good reasons why the United States should remain a capital importer, but its external borrowing has to take place within a framework of more balanced domestic growth and more broadly based global expansion than has occurred so far. The fact that the United States is now borrowing externally sums equal to three to four percent of GNP compared with a previous high of 1.5 percent in the 1870s, when the United States truly was a developing country, suggests that the current global balance of payments equilibrium is unhealthy and unsustainable.

In the short term, there has to be a coordinated fiscal stimulus in Europe and Japan, centering on structural tax reform to compensate for fiscal tightening and slower growth of domestic demand in the American economy. In the intermediate term, there has to be an acceleration of programs for reviving capital flows to the developing countries, including more participation in Wall Street's transnational securities boom and increased access to Japan's large savings surplus. In the long term, the major industrial nations also must commit themselves to the establishment of exchange target zones which will encourage sustainable currency values, productive resource transfers between countries, and trade based on comparative advantage.

It is often said that national self-interest will make it difficult, if not impossible, for the major industrial nations to subordinate their domestic policies to larger international objectives. But the fact is that global economic and financial integration have proceeded too far for governments to draw clear distinctions between internal and external objectives. As a large capital importer, the United States cannot define its exchange rate policy solely on the basis of commercial advantage; it also has to be sensitive to foreign investors' confidence. As the world's largest capital exporter, Japan has to accept a wider range of international responsibilities than prevailed during its early years of industrialization. Germany, meanwhile, has a vested interest in encouraging a recovery of American exports because it will help to prevent the United States from massively devaluing European retirement savings during the 1990s.

As in the 1920s, the industrial nations must either come to terms with the implications of the world's changing economic structure or risk destabilizing the international system. The dollar's reserve currency role has given the United States more flexibility in adjusting to its new debtor status than many smaller countries would have, but it will not eliminate the need for adjustment over time. Nor are the international implications of America's changing financial status strictly economic. Will the United States, with an external debt exceeding 20 percent of GNP and a potentially weak currency, continue to accept responsibility for defending the free world? Might not the American people reduce military assistance to Europe and Japan if their investors start to dump dollar financial assets and force a large rise in American interest rates? These questions are far from new. In the late 1960s, the United States threatened to withdraw troops from Germany if the Bundesbank joined the Bank of France in swapping dollars for gold. But in the decade to come, the vulnerability of U.S. financial markets to a dollar crisis will be greater than at any other time in modern American history. As with Britain's sterling crises of the 1950s and 1960s, such pressures could erode America's capacity for global hegemony and leadership. Historians may someday classify the Reagan Administration as the last truly internationalist American government

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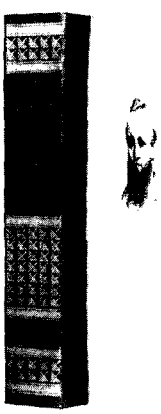
because it was prepared to sacrifice so many domestic manufacturing and commercial interests to the cause of global recovery, free trade, and external borrowing for rearmament.

Unfortunately, most of the successful efforts at multilateral policy coordination during recent years have consisted of efforts to restrict trade flows through the creation of international cartels. If as much political effort could be directed at correcting the microeconomic rigidities in those labor and taxation policies which distort capital flows, resource allocation, and employment practices, trade conflicts could be resolved through faster expansion of world demand and output, not further politicization of each country's market share.

For historical reasons, the two great Anglo-Saxon nations have inherited a variety of international responsibilities that are increasingly beyond their economic grasp, while Germany and Japan have enjoyed economic success partly because their political roles were so severely curtailed after 1945. As late industrializers, Germany and Japan pursued militaristic policies during the early decades of the 20th century which had a devastating impact on both themselves and the world. Ironically, now that both countries have the economic means to play international roles on a scale commensurate with their former imperial ambitions, they have turned insular and parochial, frequently conducting economic policy from the perspective of provincial accountants, rather than the great powers they have become. It is essential to future international economic relations that this gap between power and perception diminish.

Between 1982 and 1985, it was possible for the expansionary fiscal policies of 280 million English-speaking people in North America and Australasia to pull the world out of recession and sustain a moderate global economic expansion. But the international system now needs a new growth engine.

The 300 million people in the surplus-savings societies of East Asia and Northern Europe must either spend more themselves or develop new mechanisms for lending their excess cash to some of the four billion people in the capital-deficient developing countries that have yet to share in this expansion. The United States cannot play the role of global borrower and spender of last resort indefinitely, even if it remains a moderate capital importer through the final years of the 20th century.



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Forward Defense Or Maginot Line?

The Maritime Strategy and Its Alternatives

Seth Cropsey

In 1977, perhaps the low point for America's military after the fall of Vietnam, Admiral Thomas Hayward was faced with a dilemma. As Commander-in-Chief of the U.S. Pacific Fleet, he had the responsibility for keeping open our sea lines of communication in the Pacific and Indian Oceans; for protecting the approaches to Japan, Korea, and the four other nations in Asia with which we had mutual defense agreements; and for preserving our access to vital raw materials. He faced a growing Soviet Pacific fleet with almost as many ships as the entire U.S. Navy. Access to the U.S.-built port facilities at Cam Ranh Bay in Vietnam would free the Soviet fleet of its greatest limitation, geography, by giving it direct entree to the South China Sea.

Meanwhile, Admiral Hayward's own fleet was steadily shrinking: from 503 ships in 1968 to 216 in 1977. In the event of a war with the Soviet Union, U.S. strategy called for "swinging" some of our naval assets from the Pacific to the Atlantic.

Given the growing size and capability of the Soviet Navy, and the limited forces at his command, Admiral Hayward had reason to question whether the United States could fulfill its treaty commitments and maintain wartime communications with Asia. Given the political climate, he had reason to doubt that more capabilities would be forthcoming any time soon.

During these lean years, U.S. military leaders were often tempted to direct their planning toward a future when new technologies and generous budgets would restore the credibility of America's defenses. But the long run is not much use to a theater commander. So Admiral Hayward assembled a group of bright young officers and set them the task of considering ways to use *existing* U.S. naval forces more effectively.

Their conclusion: the United States, while a defensive power, had to be ready to seize the initiative in the event that the Soviet Union started a war. If Soviet leaders saw that our Navy would not just wait in the vast reaches of the Pacific for attacks on our communications or allies, but would directly threaten Soviet military assets, including Pacific ports such as Petropavlovsk, they might well reevaluate the risks of aggression.

Lines of communication between the western and eastern Soviet Union are long and fragile. By crippling Soviet Pacific naval power at its vulnerable source, the U.S. Navy would be able to resupply its Asian allies and guarantee the flow of raw materials without so formidable a threat from a powerful Soviet fleet. At the same time, such a "forward" strategy would also occupy Soviet forces that might otherwise be redeployed to Europe, and demonstrate resolve to our Asian allies and the People's Republic of China. In short, by deploying forward and striking decisively, the United States could magnify the effect of its naval forces, whatever their size.

Admiral Hayward came to Washington as Chief of Naval Operations in 1978. His ideas on strategy have since been expanded, and for good reason. Besides the Black and Baltic seas, the Soviet Union has major fleets at its eastern and northwestern extremes. Both areas—vastly separated from one another, and from the heart of Europe—offer valuable chances to divert Soviet attention from their strength at NATO's central front. The forward strategy concept applies not only to the Pacific but includes as well the threat to hold at risk the Soviet northern fleet in its home ports on the Kola Peninsula in the Barents Sea. The sum of these strategic ideas forms the nucleus of what the Navy today calls the Global Maritime Elements of U.S. Military Strategy (hereafter, the maritime strategy).

Geopolitics for an Island

When Soviet Vice Admiral K. Stalbo recently accused the United States of basing its maritime strategy on "the reactionary theory of geopolitics," he was, name-calling aside, mostly correct. The central tenets of our maritime strategy were ordained millions of years ago, when the Western Hemisphere split off from Eurasia to form a separate island. Free passage of the seas has always been, for our island nation, a basic requirement of national defense: twice, in 1812 and 1917, we went to war to secure it.

The two world wars of this century impressed upon the United States yet another geopolitical fact of life: the domination of Europe or Asia's rimland by a hostile power

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poses an unacceptable danger to our own security. Rather than wait for that danger to menace our own shores, today we defend forward at freedom's outer boundaries, and we defend in coalition with other free nations.

It is curious, when oceans separate the United States from most of its allies and forward-deployed forces, that the distinction is nevertheless sometimes made between a "maritime" and a "coalition" strategy. The *North Atlantic* Treaty Organization is aptly named: it is a maritime coalition, just as the Warsaw Pact, named for an inland city, is a coalition of land powers. A conflict between these two alliances would inevitably be decided on land. Just as inevitably, if the U.S. and allied navies were defeated, it would be decided against us. More than 90 percent of all the materiel needed to fight a land war in Europe would have to go by sea; a single mechanized division requires more than 1,000 tons delivered each day to sustain operations. Unless the United States and its allies can secure the seas, we cannot survive on land. To secure the seas, we must acquire and maintain maritime superiority.

The requirement of maritime superiority is no innovation of the Reagan Administration. It has been a basic element of U.S. military strategy since World War II. For the first quarter of a century after World War II, though, maritime superiority was seldom debated; it was simply assumed. At the end of the war, the United States had 5,718 ships in its fleet, including 98 aircraft carriers, 23 battleships, 72 cruisers, and over 700 destroyers and destroyer escorts. The second and third largest navies in the world belonged to our allies, Great Britain and Canada, while the Soviet Navy was little more than a coastal defense force. With such a preponderance of force, we hardly needed a maritime strategy; indeed, strategic thinking within the Navy tended to atrophy during these years.

But gradually this naval capital was used up. By 1977, the U.S. fleet had declined to around 460 ships; the fleets of our Western allies had shrunk drastically as well; and the largest navy in the world belonged to the Soviet Union. In 1962, during the Cuban missile crisis, the United States was able to use its maritime superiority to achieve its political aims without bloodshed. Just over a decade later, when it appeared that the Soviets might intervene directly in the 1977 Arab-Israeli war, the U.S. Navy found itself "at a distinct disadvantage" with respect to a formidable Soviet Mediterranean fleet. And in 1981, the Chief of Naval Operations publicly acknowledged that the United States had lost its margin of maritime superiority over the Soviet Union: fulfilling, at least in part, Soviet Admiral of the Fleet Sergei Gorshkov's 1968 prediction that "sooner or later, the United States will have to understand it no longer has mastery of the seas."

The metamorphosis of the Soviet Navy into a modern, ocean-going fleet stands out even in a time that has witnessed dramatic growth in Soviet military might. Today, although (due to its carrier fleet) the United States continues to enjoy a narrow margin of superiority in naval tonnage, the Soviet Navy has almost three times as many ships as the U.S. Navy, and maintains both a numerical and tonnage lead in several important categories. A significant portion of the Soviet Navy is likewise relatively new: during the last decade, the Soviets have introduced into their fleet 13 new classes of submarines; the world's largest and most powerful battle cruiser (the "Kirov" class); a vertical take-off and landing (VTOL) aircraft carrier (the "Kiev" class); and a modern strike bomber (the "Backfire"). The Soviet's first conventional take-off and landing (CTOL) carrier should appear on the seas before the end of this decade. This new carrier fleet will further ease the once formidable limits imposed by geography on Soviet naval power: limits already partly overcome by expanded Soviet naval facilities in Vietnam, Syria, Ethiopia, South Yemen, Angola, and Cuba.

By deploying forward and striking decisively, the United States could magnify the effect of its naval forces, whatever their size.

Confronted with the 1970s shrinkage of our own and allied fleets and the growth of Soviet naval power, and constrained by the post-Vietnam distaste for defense spending, U.S. strategists first tried to assume away the problem. Planning scenarios were revised: U.S. forces were now, theoretically, to be prepared to fight a one-and-a-half theater war rather than a two-and-a-half theater war (as if our experience in Korea and Vietnam had not exposed the fallacy of the "half war"). Naval forces already inadequate to protect the Pacific sea lanes were programmed to "swing" to the Atlantic in the event of a general war.

By the end of this past decade, these comfortable assumptions lay in shambles. The swing strategy had relegated the Indian and Pacific Oceans to relative insignificance, or at least had presumed their relative security. But the oil crisis, the fall of the Shah, the Soviet invasion of Afghanistan, and the growing economic significance of Asia to the United States—in 1984 our trade with the Pacific nations exceeded our trade with Western Europe by $26 billion—demonstrated the growing importance of this region. Meanwhile, the rapid transformation of the Soviet Navy called into question our ability to defend these interests. And the Soviet naval buildup on the Kola Peninsula (including approximately two-thirds of the Soviet Navy's modern attack submarines and combat ships) ensured that a reverse swing strategy—from Atlantic to Pacific—would be just as unworkable.

The combination of growing threats and shrinking resources did, however, serve to strengthen U.S. defenses in one important respect. It resurrected serious debate over how (and not just whether) U.S. military power could be successfully applied, and thus created a favorable climate for strategic reform.

While the reformers' recommendations varied widely and conflicted frequently, they were based on a common assumption: the United States and its allies could no longer rely on raw preponderance of power to defeat aggression.

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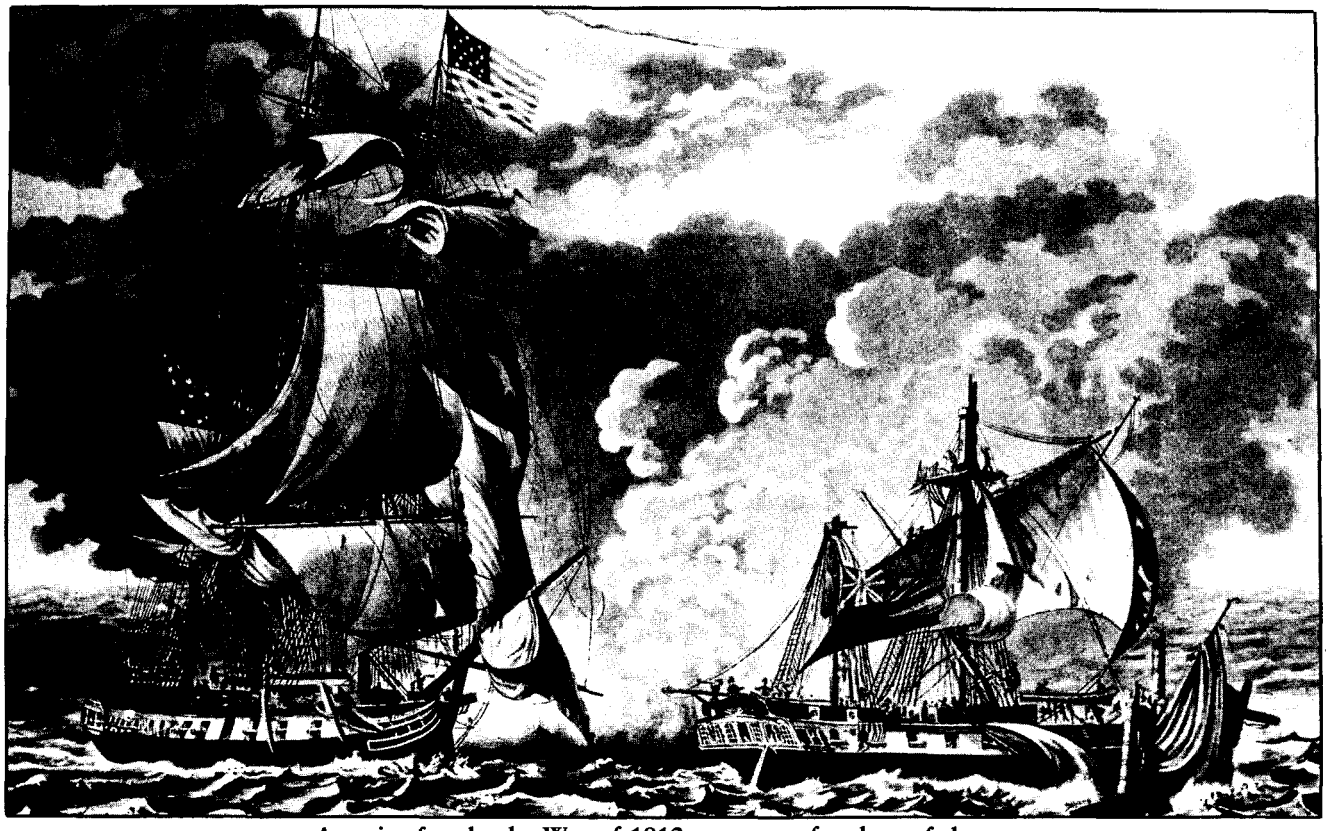

Courtesy of the Library of Congress.

America fought the War of 1812 to protect freedom of the seas.

This advantage now belonged to our adversaries. In order to preserve deterrence, we had to devise a strategy for outmaneuvering and outthinking opponents we could no longer outweigh. Within the Navy—and the naval reform movement stands out for originating within a military service—this imperative led to a two-year strategic review culminating, in February 1983, with the first public presentation of the maritime strategy.

Principles of the Maritime Strategy

The maritime strategy is based, roughly, on three principles, none of them new to American defense policy and all of them of operational and simultaneous application.

First, it is a strategy for thwarting, and therefore deterring, Soviet strategy. We have a reasonably clear notion, from Soviet troop configurations, exercises, and doctrine, of how the Soviet leaders would like to fight a war in the event they decided to start one. They would favor a direct blitzkrieg through Central Europe—without distractions at sea, on their European flanks, or in other theaters—ending in a quick and decisive victory against NATO's massively outnumbered land forces, before NATO's long-run advantage in mobile resources would weigh in the balance. The assumption underlying this strategy is, of course, that the United States would be left with the alternative of nuclear war or acquiescence in Soviet domination of Europe and would chose acquiescence.

We have a reasonably clear notion, too, that while the Soviet leaders are willing to take risks, they are not willing to take great risks. To deter war, we must raise the risk that their blitzkrieg scenario will not unfold as planned. The maritime strategy is for this reason a strategy for a global, conventional war: a strategy that refuses to hold the Soviet homeland, flanks, or interests worldwide harmless, and prepares to sustain operations, even in the event of initial setbacks on land, without resort to nuclear escalation.

Second, the maritime strategy is a strategy for a forward, coalition defense. Any American military strategy for meeting an overseas threat must begin with this fundamental choice: either defend forward, with other nations, where the threat originates; or defend back, perhaps alone, where the threat more directly challenges the homeland, citizens, or possessions of the United States. In maritime strategy, a forward defense is chosen as close as possible to the point of origin. We do not wish to wait for attacks on Western shipping that could rupture the sea lifelines on which the alliance depends for commerce and critical military reinforcement. A coalition defense translates into activity that supports nations, for example Norway, on NATO's flanks that are implicitly written off in scenarios that call for reserving U.S. naval power behind some preestablished traffic barrier such as the Greenland-Iceland-United Kingdom (G.I.U.K.) gap.

As a matter of overall national strategy, the United States has chosen forward coalition defense; the same reasons that animate that choice argue for a forward, coalition-based maritime strategy as well. We wish to minimize damage to our own assets. Therefore the strategy seeks to engage an adversary as far away as possible from our own shipping. It also, to borrow a medical metaphor, seeks to neutralize the tumor before it can spread; or, more precisely, to catch a Backfire bomber on the ground or in the

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air before it releases missiles that can sink several ships. Likewise, we wish to bring maritime strength to the direct assistance of allies because their strength can then be added to our own—and not our adversary's—and because the first breach in an alliance is unlikely to be the last. The strategy refuses to cede any areas by default.

Third, the maritime strategy is a strategy for using the comparative advantages of the United States. We have long since, wisely, made the decision not to race the Soviets to the top of the numbers charts. But we must compensate for being outnumbered by taking advantage of our particular strengths.

The most obvious strength is our technological edge. In the maritime realm, our technological advantages include sophisticated sonar that can detect Soviet submarines in the open ocean; large nuclear carriers that can project power far from our shores; new computer-based defense systems, such as Aegis, that can identify and destroy hundreds of attacking ships, planes, and missiles simultaneously; a new, highly mobile capability that will allow the Marine Corps to launch amphibious high-speed assaults from beyond the view of the beach. These capabilities make it possible to strike directly at Soviet naval power: first by crippling their submarine, surface, and naval air forces; and then, if necessary, exploiting Soviet vulnerabilities ashore.

The Maritime Strategy in Operation

A more passive strategy of waiting behind some geographical point for Soviet attacks on shipping, or withholding naval forces from land attack, dulls the edge we gain from these highly capable systems. It also increases the likelihood of effective Soviet diplomatic and military pressure on countries like Japan, which produce manufactured parts critical to any sustained U.S. war effort.

Indeed, maritime capability should itself be a comparative advantage for the United States because of our advanced maritime technology and long, successful maritime tradition. Making use of that comparative advantage means making use of the Navy and Marine Corps' special strengths. These forces are highly flexible and mobile, logistically self-supporting for long periods, and—since they operate on international waters and require no potentially embarrassing permission to move across host nations' borders—more rapidly employable. In a crisis, they can enhance deterrence by moving forward, signaling preparedness and resolve; they can also be quickly and easily withdrawn. In the event of actual conflict, maritime forces can heighten our adversaries' uncertainty about where the next strike will come, and force them to diffuse resources among many possible points of attack.

The desire to negate this comparative advantage—probably more, at least for now, than to acquire it for themselves—explains the Soviet leaders' willingness to allocate vast resources to what has heretofore been a secondary element of Soviet military power. The Soviets have dedicated their greatest maritime efforts to building highly capable submarine and land-based maritime bomber forces. They have also concentrated Soviet naval strength in "bastions" surrounding the Soviet Union. This pattern of resource allocation and deployment suggests that the Soviets' greatest fear is that, in the event of war, the United States and its allies will directly threaten Soviet assets or attack Soviet flanks. If the United States were to adopt a maritime strategy that relegated the Navy to a largely defensive role behind a self-imposed "cordon sanitaire," the Soviet maritime strategy would already have succeeded.

"It is hardly possible to imagine anything worse."

Soviet naval analyst Valentin Falin on the maritime strategy in an interview with *Izvestia*.

The maritime strategy is not a battle plan. Wars are fought by theater commanders, who must be able to seize opportunities and avoid dangers as they arise, without specific timetables, tactics, or targets preordained somewhere inside the Washington Beltway. Nothing is more unpredictable than war, especially for a nation whose defense policy begins with the premise that somebody else will start the shooting.

At the same time, commanders cannot intelligently take initiative in a strategic vacuum. They must understand what they are trying to accomplish, and in roughly what order. The maritime strategy offers this guidance by dividing operations into three parts: Phase I, "deterrence or transition to war"; Phase II, "seizing the initiative"; and Phase III, "carrying the fight to the enemy."

The disjunctive in Phase I's title, "deterrence or transition to war," is quite deliberate. Strategic theoreticians have strained to distinguish between a "deterrence" and a "war fighting" policy. But deterrence, especially in the time of heightened crisis presumed by Phase I, may well depend on convincing Soviet leaders who are actively debating the immediate use of force that the United States is not just prepared, but actually preparing, to counter aggression. Soviet military doctrine relies heavily on what Admiral Gorshkov has called "the battle for the first salvo"; the quick, decisive blow struck before the adversary can fully collect his forces or even his thoughts. In Phase I, U.S. maritime forces would demonstate that they will not be caught off guard.

During Phase I, maritime forces would move forward globally. Reserve call-ups would begin. Attack submarines and maritime patrol aircraft would deploy forward, driving Soviet submarines back into their "bastions" along the Soviet coast—and away from the sea lines along which American troops and materiel might soon be moving. Carrier battle groups hitherto operating independently would marry up into groups of three or four, moving forward as well. Marine amphibious forces would embark; a Marine amphibious brigade might also be airlifted to join its prepositioned equipment in Norway.

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Along with the possibility of a forward movement in the Pacific, the maritime strategy attaches great importance to the long neglected task of securing NATO's northern flank. Were the Soviets to seize control of Norway and its surrounding seas, their aircraft and submarines would gain a position 1,000 miles closer to our sea lanes. From there, they could quite possibly cut off communications with Denmark and the Low Countries and force their surrender as well.

By preparing to meet an assault on the northern flank, however, we would seek not only to preclude this strategic disaster, but also to signal our solidarity with NATO ally Norway (and implicitly with other exposed allies on NATO's flanks), and to divert Soviet ground and air forces mobilizing for battle on the Central Front. It should be noted that one 17,000-man Marine Amphibious Brigade, using the cover provided by bad weather and difficult terrain to harass an invading force, could potentially tie up many times that number of Soviet troops.

Wars are fought by theater commanders who must be able to seize opportunities and avoid dangers as they arise, without specific timetables, tactics, or targets preordained somewhere inside the Washington Beltway.

The greatest challenge of Phase I, however, is not military but political. Moving maritime forces forward, calling up the reserves, and dispatching Marines would require quick decisions from political leaders understandably reluctant to face accusations of "warmongering." The Soviet leaders, whose strategy emphasizes deception and surprise, would do everything possible to reinforce these accusations and stall decisive mobilization.

But with the onset of war and Phase II, the question becomes rather how to seize back the initiative that an aggressor has already acquired. Our strategy provides for maritime forces to move forward on the offensive, destroying Soviet naval forces on the open seas, neutralizing Soviet clients, if necessary (for example, as 85 percent of our fuel and other logistics would have to come out of the Gulf of Mexico and pass through the 60-mile Straits of Florida, an actively hostile Cuba could pose a major threat), and moving closer to Soviet strongholds. An active defense of strategic chokepoints, such as the G.I.U.K. gap, would be coupled with an aggressive anti-submarine and anti-air forward offensive to keep Soviet naval forces preoccupied with self-defense, and to clear the way, if appropriate, for further forward movements of amphibious forces or carrier battle groups.

Two controversial issues should be clarified here: the strategy's disposition toward Soviet ballistic missile submarines; and the use, and usefulness, of large aircraft carriers in a conflict with the Soviet Union.

Throwing Away Our Advantage

Maritime strategy grabbed the headlines in January 1986, when then-Chief of Naval Operations Admiral James D. Watkins stated that it could provide for attacks on Soviet ballistic missile submarines. Immediately, the cry went up that the United States was upsetting the balance of mutual assured destruction by threatening Soviet strategic reserve forces. There have been some fears that this could escalate a conventional war into a nuclear one. The trouble with this argument is that the Soviets have long since indicated their intention, in the event of war, to attack U.S. ballistic missile submarines as well as forward-deployed land-based missile sites and airfields housing nuclear capable aircraft. Their strategy appears aimed not at preserving the nuclear "correlation of forces," but rather at altering it. Our strategy is aimed at convincing the Soviets that their strategy will not work, thereby reducing their incentive to escalate into nuclear war.

The debate over strategic anti-submarine warfare is relatively recent; not so the debate over the future of the aircraft carrier. Since the mid-1920s, their opponents have argued that carriers are expensive and vulnerable, and that their capabilities can be reproduced more cheaply on land. But actual combat experience has always rescued the carrier from its anticipated demise. In World War II, Korea, and Vietnam, carriers proved a highly flexible and effective means of projecting power against a distant adversary.

Today, with the deployment of such superbly capable weapon systems as the F-14 fighter, the new F/A-18 strike-fighter, the SSN-688 attack submarines, and the Aegis cruiser, carriers are more lethal and less vulnerable than ever before. (In recent exercises in the Norwegian Sea, hundreds of "orange" aircraft with capabilities similar to the best Soviet forces were unable to achieve a single hit on two carrier battle groups.) Some have argued that too many of the carrier's assets are dedicated to self-defense, but this demonstrates a confusion of terms. When a carrier battle group destroys a Backfire bomber in "self-defense," it eliminates a major threat to shipping, airbases, and troops fighting on land. Indeed, attracting and destroying Soviet naval assets is part of the carrier's job; in the words of Winston Churchill, "warships are meant to go under fire."

This does not mean, however, that theater commanders would blithely send $2 billion carriers steaming into the waters surrounding the Kola or Kamchatka peninsulas before Soviet forces defending these bastions had been substantially reduced. Carriers would probably play their most vital offensive role in Phase III, after this attrition was largely complete and we were "carrying the fight to the enemy." In this phase, we would press home the initiative: completing the destruction of Soviet naval forces; supporting the land and air campaigns with carrier-based aircraft, naval artillery, and conventional cruise missiles; sending amphibious forces to take or retake territory; and, of course, continuing to keep the sea lines of communication

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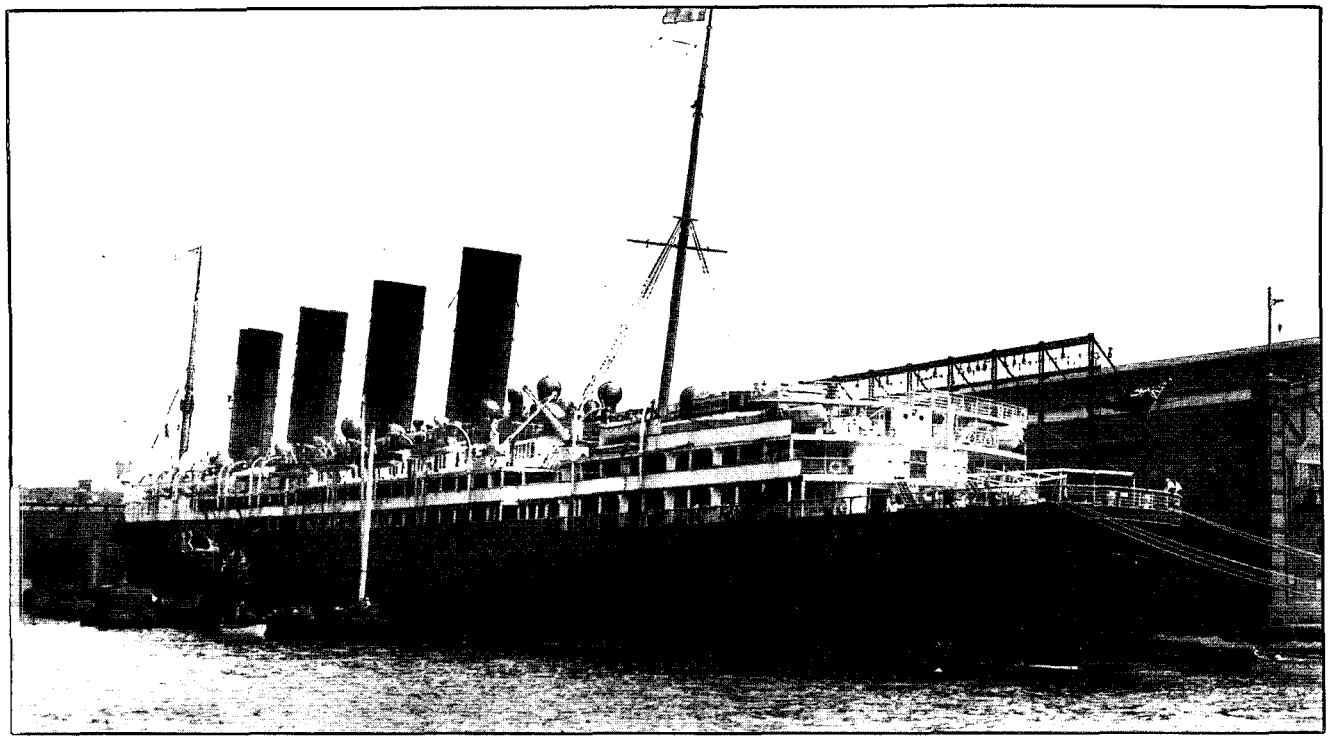

Courtesy of the Library of Congress.

German submarine warfare and the sinking of the *Lusitania* were primary reasons for American entry into World War I.

(SLOCs) open. Our aim would be to end the war on favorable terms. Victory at sea, by guaranteeing continued replenishment of U.S. forward-deployed troops and allies, would confront Soviet leaders with the prospect of trying to match a fully mobilized U.S economy.

Territory seized on Soviet flanks would serve as a bargaining chip for Soviet withdrawal from allied territory. In the not unlikely event of a stalemate on land, maritime forces might well prove the necessary "makeweight" for achieving a satisfactory negotiating peace.

Floating Picket Fence

The principal alternative to the "maritime strategy" is what may be called the "Maginot Sealine" strategy, which rejects an aggressive forward posture, and instead proposes reserving U.S. maritime strength behind more easily defended barriers, such as the G.I.U.K. gap. Its proponents argue that a more defensive strategy would reduce the cost of our maritime forces—most notably by reducing the requirement for large aircraft carriers—while still providing the necessary support for U.S. sealift to our forward-deployed troops and allies.

There are a number of problems with this approach, many of them alluded to already. A Maginot Sealine strategy that relieved Soviet naval forces of the necessity to defend their bastions would free those forces to attack our allies' SLOCs.

A Maginot Sealine strategy would also throw away much of our comparative military advantage. It would allow the Soviets to escape from the geographic confines of the remote and vulnerable Kola and Kamchatka peninsulas. It would negate our edge in anti-submarine warfare by, in essence, using our shipping to attract Soviet submarines, rather than tracking *them* down thousands of miles from the SLOCs. It would threaten alliance cohesion by ceding Norway to the Soviets—for without carrier-based air support, a Marine amphibious landing would be too hazardous—and probably Japan and Korea as well. And ironically, given the claims of its proponents, a Maginot Sealine strategy would actually require a large, albeit different kind of, Navy: more on the order of the Navy we built to fight World War II. For if threats to shipping are not to be defeated forward, then the shipping itself must be heavily protected by submarines, aircraft, and surface escorts . . . lots and lots of them. This alternative would not be cheap.

A Navy equipped to accomplish only this defensive mission would, moreover, be a Navy ill-equipped for intervention in the Third World: a less challenging but more likely role, as recent events in Libya have shown. To project power far from our own shores we need large, self-sustaining aircraft carriers and highly capable amphibious forces. A Maginot Sealine strategy, then, would require us either to write off some American interests and commitments—in conformity with the criticism that our defenses are overextended—or to acquire, in effect, two navies, which together would be far larger and more expensive than the multitask 600-ship Navy required to implement the maritime strategy.

Since navies have existed, the successful ones have all been employed aggressively or as we say today, "forward deployed." The Athenians raided the ships of Spartan allies who lived at the eastern shore of the Aegean; Francis Drake implored Queen Elizabeth to allow him to attack Phillip's Armada off the Spanish, not the English, coast; Nelson roamed the entire span of the North Atlantic to

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find and destroy the French fleet. There is no point in building an instrument of national policy as expensive and mobile as a fleet only to use it as a floating picket fence several miles off one's coast.

Its critics have freely dubbed the maritime strategy an elaborate rationale for President Reagan's naval buildup. But as the brief history at the beginning of this article indicated, the strategy's basic framework not only antedated the Reagan Administration, but developed (along with the Navy's goal of 600 ships, established in 1981) in an environment of shrinking resources. Navy planners realized that the maritime threat from the Soviet Union could only grow. They also realized that the halcyon postwar days of a huge Navy are over. In developing an aggressive forward strategy, in planning to seize the initiative and make every extra capability count, in acquiring a flexible and technologically sophisticated fleet, Navy reformers sought a way to achieve maximum gains with a minimum force.

The Navy reformers likewise sought to discipline and direct Navy procurement decisions. At a time when new technologies were dramatically increasing the capability and cost of weapons systems, the Navy needed a "so what?" standard for choosing among new ideas. "How does it fit into our maritime strategy?" became that standard. The heightened emphasis on aircraft strike warfare, standoff weapons, and amphibious lift capability in the Navy, for example, grew out of the strategy's requirements.

Maritime exercises, too, gained new realism and precision from the development of an explicit maritime strategy. Today carrier battle groups exercise, as they would fight, in groups of two or more. Recent exercises have also tested the feasibility of operating carrier battle groups in and near the actual areas they would be employed in combat. These exercises in turn help refine the Navy's procurement priorities; for example, greater emphasis on the low-frequency end of towed array sonar.

By highlighting strategic requirements, the maritime strategy has also provided an impetus toward greater inter-service cooperation. Since 1982, the Navy has signed three memoranda of agreement, with the Air Force, Coast Guard, and Army respectively, outlining reforms to improve the effectiveness and cost-effectiveness of joint operations. For example, in major joint exercises, Air Force AWACS are now used to direct Navy F-14 aircraft—enabling the Navy to extend further its combat air patrol.

Finally, the maritime strategy has infused the Navy with a shared sense of purpose, fostering cohesion among the sometimes squabbling air, submarine, and surface Navy "unions." Today every officer and indeed every sailor can understand how naval forces will be used and to what purpose. So can Congress, which is a much better explanation for the Navy's success in gaining legislative support for its program than its much vaunted lobbying power.

And so can the leadership of the Soviet Union. In January 1986, *Izvestia* published an interview with Soviet naval analyst Valentin Falin. His subject was the maritime strategy. His conclusion: "It is hardly possible to imagine anything worse." Immediately, proudly, this quote was tacked up on Navy bulletin boards around the globe. The maritime strategy had grabbed the attention of our formidable adversary. It was intended to. ☎

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SET RACE ASIDE

Government Quotas for the Truly Needy

ROBERT A. DESTRO

The practice of "setting aside" a fixed percentage of government contracting work to spur new business growth, employment, and capital investment in disadvantaged and minority communities makes sense, economically, morally, and politically. "Set-asides" based on the race, sex, or national origin of the putative government contractor, however, do not. If federal, state, and local governments are to make good on the implicit and explicit promises their "set-aside" programs make to women, minorities, and disadvantaged communities, it is time to evaluate them on their ability to create and sustain the economic and social benefits they promise, and to target those benefits on the people who need them most.

There are three basic types of government-sponsored set-aside programs. The first focuses on small business growth, and had its inception in Section 8 of the Small Business Act of 1953. In the 16 years from 1969 to 1985, the amount of procurement contracts set aside for firms participating in the S.B.A.'s so-called 8(a) program grew from $8.9 million to $2.8 billion. Though it is not an officially designated minority set-aside program, 1978 S.B.A. figures indicate that 96 percent of the companies participating were owned by minorities.

The second type of set-aside operates at the level of individual federal agencies, which are required by executive orders to funnel procurement contracts to minority-owned firms. According to Commerce Department statistics for 1985, the amount of such federal agency contracts was $6.3 billion. When business loans, loan and bond guarantees, and grant awards are added to the total, the figure rises to more than $9.6 billion.

Finally, there are the percentage set-asides for public works projects and government procurement contracts. These are the most controversial. At the federal level, 10 percent of contracts are reserved for minorities. At the local level, set-asides for minorities can range from three to 40 percent of contracts awarded.

At the federal level, nearly $35.9 billion in procurement contracts alone have been set aside since 1975 in order to achieve the five basic goals which serve as the justification for set-aside programs: to increase the capital base for those who have suffered social or economic disadvantage by encouraging small business ownership and participation in the government contracting sector; to increase minority and low-income employment opportunities; to ameliorate the effects of past discrimination on the economic development of the minority business sector; to create a middle class of minority entrepreneurs who will serve as role models for minority youth; and to expand and diversify the pool of those who supply the government with needed goods and services, thus lessening the government's reliance on a small group of large suppliers.

These are laudable goals, and set-aside programs have indeed been successful in helping many minority businesses survive during their formative years. Despite the controversy surrounding the use of quotas to attain their goals, set-aside programs are credited with having strengthened existing businesses, fostered the formation of new ones, and assisted in the transfer of much-needed capital and experience between government and small business enterprises. Professor Timothy Bates of the University of Vermont has reported that large-scale minority business enterprises in the areas most identified with set-asides—construction, manufacturing, and wholesaling—are no longer rare, and that the rapid increase in their numbers during the period when government assistance became available represents tremendous progress in minority business development.

Considering the billions spent on set-asides since President Nixon's administration established the first minority set-aside in 1972, success stories are to be expected. But because government contracting favors large firms in construction, wholesaling, and manufacturing, the benefits of set-asides are unevenly distributed. Over 40 percent of all enterprises owned by minorities and women are small service businesses, but the types of firms which participate most actively in set-asides are much larger and more profitable than the average minority-owned firm.

Given the stated goals of set-aside programs, figures such as these present real difficulties. The growth of large

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minority-owned firms may well increase the capital base of selected minority entrepreneurs and provide role models for others. But set-aside programs are politically popular because it is assumed that they create jobs and capital through encouraging the formation and growth of the *small* businesses so necessary to the economic health of every community.

Because the focus of set-aside programs is on the race, sex, and national origin of the business owner, the result has been a cynical use of "minority fronts."

On this score, the figures are distinctly unimpressive. Self-employment among minorities has remained constant from 1972 to 1982, and unemployment in the black community stands at 14 percent overall, and 38.6 percent for teenagers. Even worse is the finding of a 1981 General Accounting Office report on the S.B.A.'s 8(a) set-aside program: only 166 of the 4,598 firms participating [0.036 percent] had graduated to the ranks of competitive businesses that could survive in the absence of the preferential treatment.

Compounding these difficulties is the use of race, sex, and national origin as selection criteria. Because the focus of set-aside programs is on the race, sex, or national origin of the business owner, the result has been a cynical use of "minority fronts" to evade the overtly racial aspects of the selection process. The problem is widespread, and bleeds the system of millions of dollars intended for small business development in the target communities. In May 1986, for example, the *Philadelphia Inquirer* reported that in the 559 construction contracts awarded by the city of Philadelphia in the last two fiscal years, minority fronts were listed as subcontractors in 41 percent of the cases. In the city's Streets Department, the figure for 1985 was an astonishing 80 percent.

It is time to try something new. Set-asides must be restructured to emphasize the fact that they are essentially an *economic* response to a serious social problem. A new design, with its focus on encouraging small business investment in disadvantaged neighborhoods—and in the people who live in them—is the answer. But it will take political courage to admit that while encouraging minority and women entrepreneurs is a perfectly legitimate function of government, the business of enforcing racial preferences is not. Counting by race or sex may be easy, but bitter experience has shown that it is no way to solve economic or social problems.

Non-racial set-asides which focus on disadvantaged neighborhoods and the unemployed could be preferable to the current system for many reasons. First, and most important, is the inherent immorality of classifying persons on the basis of race. A legacy of racial preferences has correctly been blamed for contributing to the lack of minority participation in the business community. We know what the economic and social problems affecting minority businesses are, yet rather than treat them directly, we have spent billions of dollars treating the symptoms. If, as the Declaration of Independence states, "all men are created equal," simple justice requires that the law look beyond skin color—to the economic needs of the people it is trying to serve. Race-consciousness has been a proxy for careful thought and reflection for far too long.

Though some might argue that race-conscious remedies are an unfortunate, "temporary" necessity until the minority business community gets on its feet, the record does not support them. Racial set-asides promise much, but deliver little to the majority of the communities they are intended to serve. They are expensive, and their design encourages fraud and cynicism in all quarters. Because they make race and sex rather than a willingness to invest in the target populations and neighborhoods the basis for participation, they have not had the economic impact their sponsors envisioned. They are a symbol with little substance.

The second reason to adopt a new approach is that racial classifications inevitably have the effect of hurting the group they are supposed to help. Set-asides have been sold as "affirmative action" in the economic marketplace, but there has been precious little of the affirmative *economic* action that will be needed if small businesses, including those owned by minorities, are really going to participate in the specialized world of government contracting. The S.B.A.'s 8(a) eligibility regulations, for example, assume that race is an effective proxy for determining social disadvantage. This is convenient, perhaps, but racist in its explicit presumption that members of the designated races are so different than the rest of us that government need not evaluate them on their individual merits. Even though 8(a) set-asides for "disadvantaged" businesses had a 1978 minority participation rate of over 90 percent, the abysmally low success rate of the program reflects badly—and unfairly, in my view—on those particpating. If we are serious about our goals for business growth in disadvantaged and minority communities, we will choose another way.

The last, and most important reason for adopting non-racial set-aside programs is an economic one. Each of the five goals set out above is, at bottom, economic. The civil rights and social benefits envisioned will flow inexorably from greater participation in the economic life of the community. The back of the reviled and economically inefficient "old boy" network, which limits entry to current players, will never be broken unless we listen to the small and large businesses on which we currently rely to make set-asides work. They are telling us what works. We are not listening.

Investment in the Future

By refocusing attention on the original economic goals of set-aside programs, and recasting them in a manner which will serve civil rights and social goals as well, we can make substantial progress. If creation of employment and investment opportunities in disadvantaged communities is a real goal, set-asides should target such factors as the

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location of the business, the nature of its work force, and the company's record for prompt good-faith resolution of civil rights complaints.

Statistics show that minority businesses employ a disproportionate number of minority employees. Like most businesses, they draw from the communities in which they are based. A set-aside which encourages both minority and non-minority small business owners to draw from a labor pool in designated "disadvantaged" neighborhoods or from the ranks of the unemployed will multiply the effect. Minority group members are disproportionately represented in both populations, and non-discriminatory hiring patterns will eventually result in a work force drawn largely from the target labor pool. The race of the employer is not relevant. A commitment to invest in the future is.

If our goal is formation of and reliance on viable, local, small business as an alternative source of goods and services for government, set-asides should be designed to assist small business. Available data show that the host of problems common to all smaller and newer businesses—high debt levels, lack of credit, little experience and contact with the relevant markets, and a lack of the basic information and technical assistance needed to enter the market in the first place—are even more common in minority and women-owned businesses. Address these problems, and both advocates and critics of set-asides agree that most major impediments to minority and women-owned business growth will disappear. To do nothing is to perpetuate the unintended, but inevitable, preference for larger, more experienced companies.

New York City's Locally Based Enterprise program is a prime example of the type of workable set-aside program being suggested here. Now in its fifth year, approximately 453 L.B.E.s do business with the city. Recently, Mayor Koch reported that over $200 million has been awarded to small contractors and more than 3,900 new jobs have been created since the inception of the L.B.E. program. Most significant is the report's emphasis on the fact that "without the use of racial or sexual quotas, nearly 35 percent of these awards went to minority and women-owned L.B.E.s, and 69 percent of the jobs went to blacks, Hispanics, and women who reside in low-income neighborhoods." By contrast, federal figures show that 10 years and $36 billion later, only 3.42 percent of federal procurement dollars find their way into minority businesses.

Unlike federal, state, and local set-aside programs which focus on race and hope that economic results will follow,

Racial classifications inevitably have the effect of hurting the group they are trying to help.

New York's L.B.E. program sets a 10 percent set-aside for small businesses that demonstrate either that they have done 25 percent of their business in areas of the city which are eligible for Community Assistance Block Grants, or that employ economically disadvantaged persons for 25 percent of their work force. Certification of eligibility is as simple as obtaining tax returns, business certifications, unemployment records, and other basic desk and field audit devices.

Lists of qualified L.B.E.s are circulated regularly to prime contractors, and early alerts of contracting opportunities are mailed to each L.B.E. And most importantly, the city can waive bonding requirements, and make technical assistance and loan guarantees available.

The goals of race-based and non-racial set-asides are identical. The means they utilize are very different. A set-aside program which ignores race, while using existing economic incentives to eliminate the effects of past discrimination on minority business; which encourages minority entrepreneurship and employment; and which expands and diversifies the pool of those who supply government with goods and services, is truly *affirmative* action. If we succeed, perhaps we can prove to ourselves and to the world that the ideal of equal opportunity and equal protection for all need not be a dream deferred.

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PROJECT 2000

A Manned Mission to the Moons of Mars

S. FRED SINGER

These are critical times for NASA—and indeed for the entire U.S. space program. The shuttle accident and charges of general mismanagement have shaken the public's and Congress's faith. Faced with severe budget restrictions, many in the space science community are questioning the wisdom of the earlier decisions to build the space shuttle and the forthcoming space station; some are calling for the abandonment of manned flights altogether. NASA's own Advisory Council has pointed out that the nation has no long-range goals to serve as the framework for specific projects and missions—a most serious shortcoming.

In the meantime, the Soviet Union is making steady progress. Its manned program is well ahead of ours; its cosmonauts have been in orbit for over eight months at a time. And the Soviets have a well-conceived planetary research program, with a launch planned for 1988 to explore the satellites of Mars: Phobos and Deimos. By 1996, they will be returning samples of the Martian surface to the earth for analysis, thus eclipsing our greatest interplanetary triumph, the two Viking landers sent to Mars over a decade ago.

The most dramatic way to save the U.S. space program would be for the President to announce a project that can focus activities for the next 10 to 20 years. It should be far out—in scope and in concept—to excite the popular imagination, but not so far away in time as to seem unattainable to today's young generation. I suggest a visit to the moons of Mars in the millennium year 2000, a project that would involve pioneering exploration as well as some readily demonstrated scientific and economic payoffs.

Choosing the Millennium Project

This April, the National Commission on Space, established by Congress in 1984, completed a report that outlined a wide choice of space projects, from manufacturing and other operations in earth orbit, to exploration projects beyond the earth—some manned, some unmanned. The President is required to respond to this report. But the report does not really provide a specific blueprint to the White House, nor furnish criteria on how to choose among the various projects.

The ideal project would be to mount an expedition of six to eight astronauts to the Martian satellites Phobos and Deimos. From there, they would explore the planet with remotely-controlled vehicles that rove its surface with instruments, collect samples from the surface and below, and send them back to a well-equipped laboratory on Deimos. Within a 90-day period, dozens of rovers could be dispatched to the most interesting regions of Mars to explore its planetary and climatic history, and to search for past life or even hidden life in ecologically favorable locations. This two-year mission would be preceded by unmanned exploratory missions and could be followed by more ambitious ones, including manned landings and even eventual habitation on Mars.

Mars represents a far more exciting and scientifically rewarding opportunity than any of the other space missions considered so far:

- A space station is not really a long-term goal but an essential step for other missions.
- A manned base on the Moon, while relatively simple and achievable on a short time scale, has marginal scientific value. The economic payoff is dubious. What does it lead to? And besides, the Apollo project has already taken man to the Moon.
- A manned mission to an asteroid that crosses the earth's orbit has been studied as a long-term goal. But its scientific objectives can be achieved more easily, sooner, and at much lower cost by an unmanned probe. Anyway, we may already have samples of such asteroids in our museums in the form of meteorites.

Why Mars?

A general consensus is developing that Mars has the highest scientific payoff of any object in the solar system, except of course the earth itself. Comparing its planetary, climatic, and possibly biological histories with those of the

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Viking 2 landed on Mars on September 3, 1976, giving us this view of the planet—but leaving many questions.

earth is bound to greatly advance our understanding of earth processes, and therefore have an economic payoff as well. The scientific sub-discipline of "comparative planetology" has already begun to pay rich dividends—even with the meager data available today.

Mars is an earth-like planet, likely formed from similar building materials, and likely to share some common features of historic development. Mars clearly had active volcanoes but may have "run out of steam" recently. Huge mountains formed, but the processes may be different than on earth, where colliding continents built up mountain chains—and still do.

It is widely accepted that early Mars was both wet and warm, not cold and dry as today. Some researchers see evidence for ancient oceans; many suspect that water, trapped in permafrost, lies deep beneath the Martian surface. Was an early "greenhouse effect" responsible for the warm climate? And why has it disappeared? What lessons can be learned for climate change on the earth? Did the climate change on both planets because of changes of heat output of the sun, or are the causes internal? We know that the sun's radiation has increased slowly by about 30 percent since the planets first formed, and that the solar radiation falling on a planet fluctuates as the planet's orbit changes. In the case of the earth, we see evidence for such climate changes with periods of from 10,000 to 100,000 years; is there similar evidence in the strata of Martian rocks?

Mars rotates about its axis in about 24 hours, like the earth. It has daily weather changes; dust storms that sometimes cover most of the planet; and regular seasons during which one polar ice cap grows and the other diminishes. Are our weather prediction models, developed for the earth and run on giant computers, complete enough to explain and forecast Martian weather? Meteorologists are eager to set up observing stations on Mars to refine their models by testing them on the different conditions of another planet. The payoff, of course, will be improved weather and climate forecasting for the earth—potentially the greatest economic return from planetary research.

Probably the most exciting issue is the existence of life on Mars. Just a century ago, led by Percival Lowell, many scientists believed that sentient beings inhabited Mars, had dug irrigation canals, and were trying to communicate with us. Even 20 years ago, many astronomers took it for granted that primitive life existed on Mars; the seasonal color changes of the surface were ascribed to the growth of lichens or mosses. The textbooks were rewritten a decade ago when the two Viking landers failed to find evidence of life. But is this pessimism justified? The instrumentation was crude; and in any case, the results referred only to two generally unpromising locations. If two such probes were landed on Antarctica, could they give conclusive evidence for life on earth?

It was only a few years ago that biologists discovered the existence of primitive biota hidden inside Antarctic rocks. Even if crypto-life cannot be found on Mars—perhaps in samples from near the ice caps where seasonal melting may occur—there may be fossil life dating from the planet's early history when its surface was wet and warm. In fact, biologists would be hard put to explain why life did not form under those favorable environmental conditions.

The discovery of Martian life would not only revolutionize biology, but profoundly affect our philosophical outlook on the universe. It would transform the search for extraterrestrial life, changing the probability for its existence from near zero to near certainty.

Finally, there are the Martian satellites, Phobos and Deimos. Their origin is a complete mystery. At one time, they were thought to be asteroids captured after Mars had

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Courtesy of NASA.

Phobos.

formed. Then views shifted towards a formation contemporaneous with that of the planet. The satellites would therefore be pieces of primeval pre-planetary matter preserved since the beginning of the solar system—unmodified original "stuff" available for study for the first time.

The current view, based on their appearance, is that their composition is that of primitive meteorites, rich in volatile materials, including bound water. This opens up the possibility of mining them for substances that can be turned into rocket propellants—an exciting prospect for interplanetary travel and human habitation beyond the earth.

How to Do It

A manned excursion to Phobos and Deimos, dubbed the Ph-D Project, is basically nothing more than a transfer of a spacecraft from earth orbit into Mars orbit. The spacecraft is assembled and tested, astronauts are selected and trained under realistic conditions, in a painstaking process that may take a year or more—all in earth orbit. Deimos, the preferred target, is in a circular orbit above Mars's equator at a distance of nearly 13,000 miles, about 6.9 Martian radii from its center. Deimos experiences only a small Martian gravity pull, and is therefore easy to reach and to get away from. In fact, considerably less rocket propulsion is required for a round trip to Deimos (or Phobos) than for a round trip to the lunar surface—a consequence of the Moon's strong gravity field. The advantage of the Martian satellites is even greater if, on reaching the vicinity of Mars, we use its atmosphere to capture the spacecraft by slowing its excess velocity with atmospheric friction to the degree required to remain near the planet.

A typical round trip would take a little over two years, with a dwell time near Mars of about 90 days. Tying up to Deimos presents no problems; its gravity pull is minute. (A baseball thrown out horizontally on Deimos would be fast enough to circle it as a satellite.) Operating a scientific laboratory presents no problem either. Most of the complication of instruments, such as electron microscopes or mass spectrometers, lies in their vacuum system. In space, the vacuum system need not be created; it's already there.

Once near Mars, the first order of business is to launch several communication and observation satellites, meteorological observing stations for the surface of Mars, and penetrators that can take data from below its surface. After the Deimos station is set up, we begin the business of launching the first set of unmanned rovers to different points of the planet—to traverse the surface, take data, and collect samples from the surface and subsurface.

These samples, weighing only ounces, are then returned to the Deimos laboratory for detailed study. Based on the findings, more rovers are launched to the most interesting locations, and more samples are collected and analyzed. In this way, one can study the planet sequentially, following up on what was found earlier—a very efficient scientific procedure. Altogether, one must plan on a hundred or more surface samples and cores, including a few deep cores, to achieve the major scientific objectives. Mars is an infinitely more complex object than the Moon.

Deimos is close enough to Mars so that the delay in radio signals is negligibly small. A rover can therefore be "driven" in real time by remote control. Fortunately also, Deimos's orbital period is only slightly longer than Mars's rotation period; a rover can be kept in direct view for up to 40 hours. After a rover has collected and dispatched its samples, it remains on the surface as a permanent observing station. Of course, a certain number of rovers will fall into crevasses, or become inoperative as they traverse difficult terrain; but we envisage a complement of perhaps 20 to 30 rovers. To maximize the chances of finding life, we must look into many different places and be prepared to lose some rovers.

A manned sortie to Phobos can be used to collect samples of the satellite. A burning question: do Phobos and Deimos have similar compositions and similar petrologies—indicating similar histories? Their appearances are quite different: Deimos's surface is smooth; Phobos, irregularly shaped and somewhat larger than Deimos (13.5 miles vs. 7.5 miles long), shows a surface traversed by deep furrows. One view is that they are both "chips off the old block," fragments of a much larger moon that crashed into Mars billions of years ago. Future data will either support this hypothesis or throw it out altogether.

Alternatives to Project 2000

The alternative approaches to a Ph-D mission are either conventional unmanned exploration directed from NASA headquarters in Houston, or the more radical one of putting astronauts on the surface of Mars immediately. Both alternatives are inferior to Ph-D in terms of scientific yield and of cost.

A manned landing on the surface of Mars is risky. The man must be placed into a safe area, which is usually uninteresting. The geologically and biologically interesting places are dangerous, and generally not suitable for

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manned traverses. We would therefore have to operate an unmanned rover vehicle, but because of the complex topography, we could not keep it in sight; we would need a satellite link and might as well be on Deimos. Some scientists have criticized landing on the Martian surface as nothing more than an expensive stunt, rather than a serious scientific exploration project. But if the funds are available, then the Ph-D mission could include a manned sortie to the Martian surface.

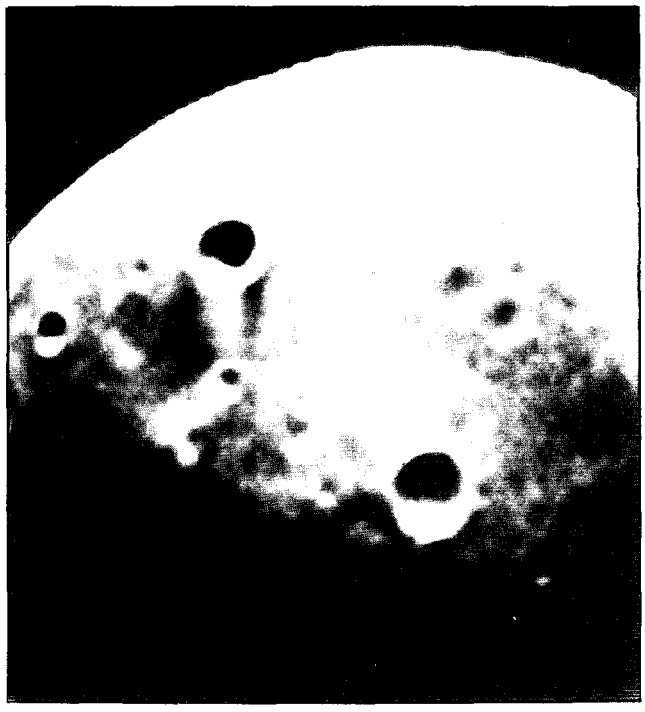
Directing Martian exploration from Houston has its own set of problems. The distance to Mars causes long time delays—and sometimes we have occultations by the sun, depending on the position of Mars. Unless we can build an autonomous rover vehicle, its traverse of the planet will be tedious, each radio-directed step requiring an hour or so, and the transmission of a huge amount of data. With a "smart" rover nowhere in sight, this calls for a complex and heavy vehicle. It has to be able to send samples all the way back to the earth, adding to its weight and expense. And if the vehicle tumbles and loses radio contact, the mission may be aborted.

After traveling for a year back to earth, the returned samples containing reactive or volatile materials would no longer be fresh. There is also concern about contamination of the earth by the samples. But the main problem is the delay itself. If something interesting is found, it may be three years or more before the location can be revisited. To launch, say, 20 rovers sequentially would take at least 60 years, and more like a century. It may be hard to sustain the national resolve for so many years. Judging from the Apollo experience, I suspect that if nothing startling appears after two or three missions, the Mars project may well be defunded. Therefore, if we are really serious about a Mars program, it must be constructed so that the investigation can be substantially completed within one mission and within one cycle of program funding.

Cost Comparison

The Ph-D mission first of all requires the development of a space station. We have to solve the problem of maintaining personnel in an orbiting habitat for at least two years. One decision: will it be necessary to supply artificial gravity, say by spinning the spacecraft? The other major decision relates to the degree of closure of the life support system; it seems likely that atmosphere and liquid wastes will be recycled, but not solid waste. These problems can of course be solved in earth orbit. We will benefit here from Russian experience, and they from ours.

By far the largest portion of the total cost of the project is the cost of putting some 1,000 tons into earth orbit: spacecraft, including habitat, laboratory, rovers, and propellants to go to Mars and back. It would require some 30 shuttle launches, worth about $10 billion. By comparison, development costs specific to the Ph-D mission are modest. Even if one includes all Mars-related costs, including an unmanned Mars observer mission to monitor its surface and atmosphere, plus one or two automated sample returns, the total cost would only double to about $20 billion—a modest amount when spent over 20 years. That's less than half the cost of the Apollo program when reckoned in current dollars.



Courtesy of NASA.

Deimos.

This simple analysis also shows the value of reducing launch-into-orbit costs from their present $5,000 per pound. One of the major research goals of the strategic defense initiative is such a cost reduction—which may turn out to be its most important civilian spinoff.

A manned landing on Mars requires about twice the propulsion of the simpler Mars-orbiting Ph-D mission. Taking off from the surface, one must overcome the planet's gravity and atmospheric resistance. The cost of the whole project may be in the range of $30 billion to $40 billion—again highly dependent on launch costs.

The unmanned exploration option, using sophisticated rovers, might come to only $4 billion per flight. When multiplied by the number of missions required to collect enough samples, however, the total cost soon exceeds that of a single Ph-D mission. This surprising conclusion provides an answer to critics like space scientist J.A. Van Allen, whose recent essay attacks the idea of manned Mars exploration and manned spaceflight generally. He asserts that Martian exploration can be conducted at "much less cost . . . by automated commandable spacecraft, surface rovers, and sample return-to-earth missions." Not only is the cost of a manned Ph-D project lower, but it promises better scientific returns by a wide margin.

An opposite point of view to Van Allen's is represented by space enthusiasts who would plan now for human habitation of Mars and are impatient with any first step that doesn't at least place a man on the planet's surface. But what's wrong with taking one step at a time? To begin to answer many of the scientific questions about Mars—at modest cost and reasonably soon—obviously does not rule out later human landings on Mars, eventual habitation, and even "terraforming" of the planet to make it habitable for earthlings. In the meantime, the Ph-D project can prepare the way—by transforming Deimos into a logis-

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tic base, with facilities for manufacturing propellants for more ambitious undertakings.

The National Imperative

In the absence of a clearly enunciated national goal, the Soviets may beat us to Mars. To some, this may not seem a calamity; after all, we cannot be first in everything. But those of us who remember the impact of the first Sputnik launch in 1957 realize that the international prestige that attaches to scientific and technological leadership is a precious asset with important foreign policy consequences. By the end of this decade, the Soviets will have completed the first direct scientific examination of Phobos and Deimos, albeit with instruments. But they may also soon solve the problem of maintaining men in space for more than two years, long enough to journey to Mars and back. The race will be on, but it won't be much of a race unless we get into it quickly. The first mission may simply be a fly-by, something that could certainly be done before 2000.

If we start into the race without delay, at least by announcing our intention and overall plan, we may transform what shapes up as a humiliating setback into a collaborative effort—with parallel but separate programs, independent but coordinated. Soviet and American vehicles and habitats could be designed to rescue each other in case of emergencies. It is a worthy goal for the two superpowers that now confront each other with nuclear missiles.

Few remember that Phobos and Deimos were discovered by the American astronomer Asaph Hall in 1877 at the U.S. Naval Observatory. An American President how has the opportunity to define a blueprint for our future in space. It may well be our last chance; our space program may not survive without an overarching, well-defined objective. But Ronald Reagan has garnered tremendous support for his initiatives and has demonstrated a personal interest in space projects. He can now launch an effort that will survive through many presidencies, budgetary crunches, and scientific fads. He may then be remembered not only as the President whose strategic defense initiative made nuclear missiles obsolete, but as the President who laid the foundation for international collaboration in space travel and exploration of the solar system.

"This 'Guide' sheds some sensible—and much needed—light on a hotly-debated topic. The authors provide a leakproof intellectual shield against the many myths associated with SDI."
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THE CALYPSO BLUES

Why the Caribbean Basin Initiative Isn't Working

GERARD ALEXANDER

Late in the 1970s, American policy makers awoke to the importance of a region they had long neglected, the Caribbean Basin. A Marxist coup in Grenada and threatened radical takeovers in Guyana, Jamaica, and Suriname, together with the emergence of a second Cuba in Nicaragua, reminded the Carter Administration that security in the Caribbean could be taken for granted no more than in Central America. A proliferation of Marxist groups, heightened trade union militance, subversion in Puerto Rico and Haiti, and the growth of liberation theology in the Caribbean churches, were all harbingers of potential political and social troubles in a region of enormous strategic significance to the United States.

Between one-half and two-thirds of America's oil passes through the Caribbean, as do two-thirds of our imported strategic minerals and almost half of our other trade. Control of the area in peacetime is important; in war, it would be critical. Yet the tiny size of many of the region's island nations make them exceptionally vulnerable to subversion: Marxist Maurice Bishop needed only 33 henchmen to seize power in Grenada in 1979, and mainland Suriname's government was toppled in 1980 by 16 army sergeants.

Most of the Caribbean countries have enjoyed much greater political stability than either South or Central America. Chaos in the Dominican Republic persuaded President Lyndon Johnson in 1965 that U.S. intervention was necessary to restore order, but since then, with the exception of Grenada, the region has been stable enough to permit a minimum of such activity. Haiti was ruled by the corrupt hand of the Duvalier dynasty and Cuba is a totalitarian state, but the other 10 island nations have long and deeply rooted democratic traditions, buttressed by three relatively widespread institutions.

First is elected governments. Second is an active print press, from the *Barbados Advocate* to the Dominican Republic's *El Caribe* and Jamaica's *Daily Gleaner.* Third is an independent judiciary, especially in the former British islands. Religious influence, both Catholic and Protestant, is powerful, and a deep sense of moral and political propriety pervades, especially in the English-speaking islands. So does a spirit of entrepreneurship, as exemplified by the business success of West Indian immigrants.

This combination of strengths and vulnerability led the Carter Administration to step up American assistance to the islands, from some $95 million in 1977 to $176 million in 1981, and led the Reagan Administration to craft what later came to be known as the Caribbean Basin Initiative. C.B.I.'s centerpieces were one-way free trade for most Caribbean exports, and a further boosting of economic aid, to over $379 million in 1986.

And yet, despite the renewed attention, many of the islands are no better off today than they were in 1984 when the C.B.I. went into effect. Since 1983, unemployment has gone up to a fairly typical 15 percent to 25 percent of the work force. Regional debt has mounted, and in some countries national income has fallen. Exports from the region have fallen by some 23 percent. Inflation in the Dominican Republic has risen by six times since 1983, and budget deficits have risen precipitously. Grenada has undergone little recovery since its liberation in 1983; investment is slow in coming and unemployment is near 30 percent. Jamaica, touted as a supply-side model for the Third World, is perhaps most disappointing of all, with a continuing decline in the important bauxite industry, unemployment over 25 percent, and many unsolved structural problems. Rural poverty in Haiti, Jamaica, and the Dominican Republic, as well as the eastern islands, is deep and bitter. Unemployment prompts emigration and dislocation. Per capita income rarely rises above $1,000 a year; in Haiti, it is $300.

Reasons for Decline

Congress bears some of the blame for the failure of the C.B.I. because it cut out many of the key provisions in President Reagan's initial proposal, especially free-trade clauses for such important regional exports as sugar, leather goods, textiles, and petroleum products. As a result, the textile industries in Jamaica, the Dominican Republic, Grenada, and elsewhere are severely limited by the lack of a nearby mass market. The Dominican Republic, rather than achieve more sugar sales under C.B.I., has actu-

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ally seen its sugar quota cut, from nearly 800,000 metric tons in the early 1980s to some 300,000 tons today. Congress also replaced what could have been a powerful tax credit for investments by a far less meaningful tax credit for conventions held in the region.

Marxist Maurice Bishop needed only 33 henchmen to seize power in Grenada in 1979, and Suriname's government was toppled in 1980 by 16 army sergeants.

Economic hardship has been aggravated by natural disasters, among them the hurricanes of 1979 and 1980, which devastated crops, damaged housing, and caused food and fuel shortages that pushed inflation over 20 percent in some islands in those years. The hurricanes also exacerbated the problems of plummeting commodity prices (the sugar price has fallen from 40 cents per pound at the beginning of the 1980s to about four cents today); and subversion (which left Grenada with little capital, much international debt, and many potholed roads).

But the most important reason for regional decline is that the countries of the Caribbean have not taken full advantage of the opportunities C.B.I. offered them. C.B.I. was not intended as a ready-made hospital in which the Caribbean could have its ills set right. Rather, the region was to build for itself in the framework of C.B.I., and little of that building has taken place. Local governments maintain statist economies in a region that can scarcely afford them; local systems could do much more to encourage growth. Surveyed area by area, the island economies seem choked, and hence the effects of C.B.I. minimal.

Puerto Rico

What came to be known as "Operation Bootstrap," a relatively successful policy of industrialization and modernization, brought Puerto Rico a steady annual growth rate in real per capita GNP of over five percent in the 1950s. Tax incentives, cutting red tape, and a lower minimum wage, which appropriately reflected a relatively lower cost of living and level of industrial skill, attracted mainland companies to establish subsidiaries on the island.

But from the mid-1960s to the mid-1970s, the federal government imposed on Puerto Rico the mainland's own First World minimum wage and environmental and other regulatory laws. At about the same time, the Puerto Rican government expanded public spending, borrowing heavily and hiking taxes to cover the rise. Governor Rafael Hernandez Colon (1973 to 1977) responded to the continuing slowdown with wage and price controls, expanded commonwealth ownership of industry and a series of surtaxes (one of which was called the "Vampirita," the little vampire). What had been a five percent unemployment rate in the 1950s and a 10 percent rate in the 1960s became a 20 percent rate in the mid-1970s. With some rises and few dips, it has remained at that level ever since.

Though provisions were made in C.B.I. to benefit the American Caribbean—Puerto Rico and the U.S. Virgin Islands—these economies have performed poorly in the mid-1980s. In Puerto Rico's case, most investment continues to be attracted by section 936 of the Internal Revenue Code, which makes tax-free all profits made by the Puerto Rican subsidiaries of American companies, which hold some $7 billion in assets on the island. Slowly, the Reagan Administration has moved to remove the law from the books because of questionable cost-effectiveness and dubious uses of the clause. As part of an effort to save the coveted clause, the Puerto Rican government endorsed a proposal to modify 936 and make its bank deposits available for C.B.I. projects like "twin plants," in which a manufactured good would be assembled first on a less-developed island and then completed in Puerto Rico.

But all the flurry over 936, long seen as Puerto Rico's economic panacea, obscures many of the island's more basic troubles. While the island is home to the Caribbean's most prosperous and most technically and administratively competent middle class, half the population is on food stamps and 70 percent depend on the federal government for food, medical, or housing subsidies. The island receives more federal money as a share of per capita income than any of the 50 states. Much of the population is trapped in a culture of welfare dependency.

While complex tax codes, strict regulatory laws, and red tape rules and surcharges can be absorbed by an established industry, they hardly encourage entrepreneurship among Puerto Rico's mainstream urban and rural poor, whose initiative has already been sapped by a First World welfare state.

The response of the recently reelected Governor Colon has once again been externally based, and not reformist (which could begin, for instance, with privatization of the sugar, shipping, telephone, television, and radio holdings of the government). "Operation Outreach" proposes to increase Puerto Rican trade with and investment in Caribbean countries, in the service of C.B.I., and promises to make the island into America's main economic arm in the region. But Puerto Rico will have to postpone meaningful development and comprehensive cooperation with the rest of the Caribbean until its leaders address the problems of economic revolution from below, not from without.

Hispaniola

The two nations which share the island of Hispaniola are as different economically as they are politically. The Hispanic Dominican Republic hosts a large, if faltering, industrial sector which has in recent decades posted one of the region's best growth rates. The French-speaking, black- and mulatto-populated Haiti, on the other hand, has an agriculturally-based economy which is the poorest in the hemisphere.

Haiti is blessed by few immediate development hopes. A snapshot view of the economy reflects the troubles: membership in the International Bauxite Association has lapsed as the nation's only natural resource has run out; coffee,

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sugar, and other commodity goods are the main exchange earners, with some 70 percent of the work force in agriculture, including Haitian laborers in the sugar-cane fields of the Dominican Republic. Despite some French and American investment, the per capita income rests near $300; there is little industry save light manufacturing—90 percent of the world's baseballs are assembled in Haiti.

The overt economic policies of Francois ("Papa Doc") and Jean-Claude ("Baby Doc") Duvalier were not badly suited for the kind of opportunity offered by C.B.I. Haiti under the Duvaliers had one of the lowest tax burdens in the islands, liberal import and foreign exchange laws, plentiful assistance, and it was officially hospitable to foreign investment. But economic activity was suppressed by corruption and extortion, poor infrastructure, deficient education, and state enterprises led by managers chosen for reasons of patronage or nepotism and not efficiency.

Investment today, not only foreign but also domestic, is inhibited by political unrest. There is little C.B.I. can do to help the Haitian economy in an atmosphere of frequent strikes, demonstrations, and apparent Cuban subsidies to radical groups.

The Dominican Republic, with a more developed economy, is currently gripped by a recession which is blamed on the 10-fold decline in world sugar prices over the last five years, largely due to American protectionism and such comprehensive Western European subsidization of its producers that the European Community is a net sugar exporter. But other factors contribute to the 30 to 40 percent inflation, and 25 percent unemployment.

All of the amassed properties of the former strongman, Rafael Trujillo, for instance, were nationalized upon his assassination in 1961, and today these industries, farms, and other assets form an estimated 35 percent of the economy. Combined with the remainder of the state enterprises and holdings, the Dominican Republic has one of the region's largest and most unwieldy public sectors. While these enterprises once earned profits, in time their techniques ossified and their payrolls became tools of patronage. High taxes and much of the country's available bank credit are needed to sustain them. The industrial agility and flexibility which are demanded by development under C.B.I. are attainable but unattained.

Tariffs are high and ambiguous, discouraging private trade, and prices are distorted. What should be a responsive and healthy agricultural sector is instead weighed down by the national price control agency, INESPRE, whose rough form was created with the advice of the U.S. Agency for International Development. INESPRE now dominates the food economy, approves and monitors internal movement of food, and imports and distributes the bulk of foodstuffs (with a monopoly on the purchase of wheat, rice, sugar, and oils), yet it runs a deficit while absorbing 40 percent of the central government budget. INESPRE's activities have so stifled economic development that even the World Bank has condemned it, saying that its pricing policies "have probably worsened income distribution and hurt both the rural and urban poor." Joaquin Balaguer, the new President (and President from 1966 to 1978), is ostensibly committed to reform, with a targeted reduction of INESPRE's operations.

Three positive recent developments have underscored the possibilities of Caribbean growth. There has already been limited success with twin plants with Puerto Rico, though the numbers still remain small. Second, the Dominican Republic has signed one of the textile agreements which President Reagan unveiled in February, and the Dominican textile industry looks promising. Third, the export of winter fruits and vegetables, exactly the sort of non-traditional export that C.B.I. hoped to encourage, has performed well, as Santo Domingo moves to replace Mexico (and before that, pre-1959 Cuba) as the main supplier to the eastern United States.

While Puerto Rico is home to the Caribbean's most competent middle class, half of the population is on food stamps and 70 percent depend on the government for food, medical, or housing subsidies.

Eastern Caribbean

The tiny islands of the Eastern Caribbean can boast fairly well-educated populations, close ties to Britain and the United States, in most cases a common language of English, and industrious inhabitants. Yet this is also one of the poorer parts of the region, in part because many of the island nations are so small. With populations often no more than 100,000, each island nation has to sustain an international foreign policy and support an international airport if it is to attract the foreign investment and tourism it needs. Many observers believe that size simply renders the islands economically unviable, and to survive, many islanders have traditionally turned to such activities as smuggling, drug-running, bootlegging, and other dubious economic activities. Today, a number of islands—Grenada, Montserrat, Dominica, and others among them—host off-shore or "last chance" medical schools. The government of St. Vincent announced that it would turn down a $65 million offer for asylum for Ferdinand Marcos.

In the Eastern Caribbean, Trinidad and Tobago, with oil reserves and a population over 1,000,000, dominates trade; the French, British, and Dutch dependencies are often quite removed from the area's activities, and depend heavily on the *metropole*. The smaller, independent states, all formerly British, base their economies on tourism, agriculture, and light manufacturing or processing. Unemployment is typically 20 to 25 percent of the work force.

Trade with the United States, Canada, and Western Europe is faring fairly well, with local economies slowly becoming more sophisticated. But on most of the islands, price controls still distort the market and utilities and some industries are state-run. Marketing and even production operations are governmental, and the easiest route for de-

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pendable and rewarding employment is the civil service or elective politics, not the private sector.

There are some strengths on which to build. Unlike many other Third World regions, the Caribbean islands trade extensively with each other, under the umbrella of the Caribbean Community (CARICOM) and other regional organizations like the seven-member Organization of Eastern Caribbean States (O.E.C.S.). But many trade barriers persist, and both Jamaica and Trinidad appear to be violating CARICOM standards. Another historical success in regional cooperation, the University of the West Indies, based on Trinidad, Jamaica, and Barbados, is threatened by financial disputes, as Trinidad is making motions to pull out.

Much attention has recently been paid to Grenada's attempts at development since liberation in 1983. Debts to Algeria, Libya, and East Germany are still officially honored. Poor roads left by the previous government permit few crops to arrive at market undamaged. Much of the rest of the economy was left in chaos by Marxist rule; only prisons and work camps are plentiful.

Grenada's response has not been unblemished—or entirely successful. Market-distorting price controls have been largely kept intact; much of the tourist industry remains in state hands, as does much farmland; a complex shift from income taxes to a 20 percent value-added tax, effective this year, may have pushed the island over the Laffer Curve—revenues are dropping as activity moves underground.

Despite some positive changes, such as the lifting of the main export taxes and the liberalization of exchange laws, the economic structure left by the Bishop government has not been sufficiently dismantled, and does not provide the necessary framework for meaningful exploitation of C.B.I. opportunities.

Dominica, led by Eugenia Charles, is graced by no attractive beaches or large aid programs, but it has made promising reforms of the type that should be studied by other islands. Subsidies to state-run businesses are being eased; wage demands are being resisted more often; and government expenditures are being capped. Price controls could be gradually removed, and taxes eased, not hiked, to encourage and sustain development.

Interregional trade has been, and should continue to be, a priority, as should specialization by various islands to service industries that relocate to the Basin. For the foreseeable future, though, emigration will remain the Eastern Caribbean safety valve, as enterprising emigrants head to Europe or the United States: in the 1970s, Dominica's population went up only 0.57 percent annually, and Grenada's went down 0.8 percent annually.

Jamaica

Prime Minister Edward Seaga's moderate Jamaica Labour Party (J.L.P.) was swept into office barely two weeks before Ronald Reagan was himself elected President in 1980. It is widely suspected that when Seaga was Reagan's first state visitor, in the spring of 1981, the Jamaican helped to create the notion of a Caribbean Basin initiative. And Seaga's unabashedly pro-Western outlook, his promising early economic policies, and his open encouragement of the private sector seemed to make Jamaica the perfect C.B.I. case: English-speaking, less than 200 miles from the United States, a long history of travel and investment from North America, and now a new attitude on the part of the Jamaican government.

At first and even second glance, the J.L.P. experiment seems to be capitalism incarnate. Seaga began by condemning the creaking, nationalized, centralized economy left by his socialist predecessor, Michael Manley. Some 6,000 government employees were soon trimmed from the public payroll, and have since been joined by another 6,000 to 10,000 more. Public spending was controlled and the deficit has been gradually pared. The overvalued Jamaican currency and the artificially low interest rate were essentially allowed to float free. The import maze was streamlined and most import licenses abolished. Inflation fell. 1986 brought tax reform, with exemption for all income below approximately $1,600, and a flat 33.3 percent tax for all income above that. Privatization began with public buses and city street-cleaning.

Clearly, Seaga's international style departed from that of Manley. Where Manley enjoyed very close relations with Fidel Castro's Cuba, supported the dispatching of Cuban troops to Angola in 1975, endorsed Grenada's Marxist coup, and nationalized a number of industries, Seaga cut ties to Cuba, has called for assistance to Nicaragua's *contras,* and powerfully backed the 1983 Grenada invasion (a Jamaican officer led the Caribbean forces). A pro-business image added to all of this served to enhance Seaga's popularity with American moderates and conservatives and with the Reagan Administration.

And yet Jamaica is a failure. Unemployment is back near record levels of 25 to 27 percent, in a country already burdened by biting rural and urban poverty (almost half of the population lives in Kingston, the capital). Interest rates are over 20 percent, and the value of exports has fallen by over 46 percent since 1980. Despite nearly $1 billion in American assistance since 1980, the economy has shrunk in recent years and international debt is now near $3 billion. Seaga's J.L.P. lost July's local elections badly, rendering dubious the J.L.P.'s ability to win the general election that must be called before the end of 1988.

Jamaica's failure, though, does not just threaten to discredit capitalism on the island. It threatens to do so in the whole region, and even throughout the Third World, for whom Edward Seaga's Jamaica was trumpeted as the free market's showcase.

To explain how the innovations were accompanied by economic setbacks, one answer is regularly offered: the sharp drop in the last six years in profits from bauxite and aluminum exports. With the decline in Jamaican production (by 50 percent since 1980) and the drop in the world bauxite price, Jamaican earnings fell from $353 million in 1980-81 to only $125 million in 1985-86.

But to salvage capitalism's credibility from the Jamaican downturn requires more than a cursory study of government policy and the bauxite decline. In the last six years, it has become increasingly evident that Edward Seaga is not the doctrinaire free enterpriser many made him out to be, or indeed hoped him to be. While some major reforms have undeniably taken place, most notably the tax reform

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and the import reform, little enough has taken place in the face of what could be done to place the intentions of Jamaica's "economic revolution" in doubt. A review of the economy reads like a checklist of reforms unimplemented or even mistakes made worse.

- Tourism, which has replaced bauxite as the nation's main earner, remains mostly in state hands. A number of government officials and even a few private businessmen will happily report that some of the hotels taken over by the Manley government have been divested, but in fact, divestment has meant leasing. Not a single hotel has actually been sold to the private sector. Seaga now says that he does not actually seek comprehensive privatization of the hotels, in whose ownership the state acts as the "trustee" of the "national patrimony."
- Agriculture, strongly regulated by Manley and discouraged through price controls for urban consumers, has undergone limited decentralization under Seaga, with such projects as large Japanese and Israeli commercial farms. But the industry faces new guidelines and programs run by the government Agro-21 program. Though winter fruits and vegetables (targeted by C.B.I.) are doing well, traditional crops like bananas and sugar are suffering, with much foreign marketing monopolized by government groups. The Jamaica Commodity Trading Corporation (J.C.T.C.) distorts the market of many locally consumed goods through price controls and has many import monopolies, such as those for rice, wheat, flour, soybeans, fertilizers, and under Seaga, cars and buses as well. There appears to be no impetus within the government for the reform of the bloated and widely condemned J.C.T.C.
- Mining is still bauxite-dependent, yet Seaga has not done away with the heavy taxes levied on foreign mining operations, a number of whom were driven away by the levy under Manley. Though some aluminum companies have expressed interest in returning to operations presently run by the government, disincentives in the industry remain sufficient that no great gain in production is foreseen. Mining of non-bauxite minerals, on the other hand, is doing well, with expanded production of marble, gypsum, and others on private lands by private operators.
- Though the government has commendably promoted exports, it has not been so receptive to imports: while import licenses have in most cases been abolished, tariffs on those imports have consistently risen, and Jamaica joins Trinidad in violating CARICOM standards for tariffs. Other licensing systems have remained intact, such as the tight restrictions on taxis. Regulation overall has seen little reform, and government initiatives have indeed been launched for the further regulation of industries ranging from real estate to metal assembly (the so-called "screwdriver industries"). Colin Henry, the executive director of the pro-free enterprise Private Sector Organization of Jamaica and himself a former Seaga government official, readily admits that a Jamaican businessman faces "not much difference" between the regulations of the Manley government and those of the Seaga government.
- While some government services have been turned over to the private sector, privatization of state properties has been ambiguous. Jamaica's largest commercial bank, the National Commercial Bank, is scheduled to be privatized by the beginning of 1987, but none of the hotels, almost none of the parastatals, and not the national airline, or Jamaica's one television station, or two of its three radio stations have been privatized, though privatization of all of them has been proposed for years. The island's only cement company, the railroad, the telephone company, all bauxite lands, and some three-quarters of the sugar industry are all government-owned and usually government-operated as well. The island's only oil refinery is also state-owned, and was nationalized not by Manley but by Seaga, to whom Esso was glad to sell: because of price controls on gas, almost no profits were permitted.

In reality, it is not free-wheeling capitalism that is failing to draw the Jamaican wagon. Rather it is enduring government control, with a new, supply-side face, that is to blame. Unfortunately, the hasty identification of Seaga with the classical American model, an identification that Seaga himself would probably shy away from, has already tainted that model in the eyes of many Jamaican voters, and even a number of American analysts.

A Future for Enterprise

Because of the Caribbean Basin's continuing troubles, it is easy to write C.B.I. off as ineffectual, however well intentioned. And C.B.I.'s direct, immediate effects do seem quite limited. But there have been other, more subtle effects of the broader initiative. Since its implementation, Canada has announced a similar trade pact, Caribcan, and has become noticeably more involved in the Basin. The E.E.C. has developed the Lome III agreement, with enhanced benefits and trade opportunities for the Caribbean. Investment from the Far East has picked up, with Japanese, Korean, and Hong Kong projects in Jamaica. Mainland China has also sent recent investment and trade tours, to Trinidad among other places. Greater information about the Caribbean finds its way to investment and trade magazines and data banks. Though none of these changes were legislated by Congress in 1983, the momentum really began after America began to focus its attention on the Caribbean's problems.

What remains is for the region itself to work to encourage private sector growth, and expanded trade, tourism, and investment with its neighbors. Such long-term development plans are precisely that, and the expertise, efficiency, and endurance of a vital business community is needed by each island. The statist experiments in Jamaica, Puerto Rico, Hispaniola, Trinidad, and most of the smaller islands provide ample evidence that government expansion is not the route to sustained development.

The Caribbean nations have assets denied to most of the rest of the Third World: proximity to mass markets, easy and frequent communication and travel, relatively high levels of education, and common languages with their natural trading partners. The irreverent Calypsonian singers and their "higglers," mostly women, who search the Basin for goods to import to Jamaica, are but two examples of the liveliness and industry of the West Indians. And it is those West Indian entrepreneurs, not Western economic advisers or government planners, who will fulfill the opportunities which the various Caribbean Basin initiatives have offered.

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UNFINISHED BUSINESS

Who's Holding Up Grace Commission Reform?

CAIT MURPHY

Perhaps the only thing that Presidents Taft, Roosevelt, Truman, Eisenhower, Nixon, Carter, and Reagan have in common is that they all established blue-ribbon commissions to study the inner workings of the federal government. Some of the commissions left behind new bureaucracies—the first Hoover Commission under President Truman recommended the establishment of the General Services Administration, and Taft's task force created the Bureau of the Budget, which the Ash Council, under Nixon, redesigned as the Office of Management and Budget. Roosevelt's Brownlow Committee was responsible for the founding of the Executive Office of the President. Others left behind little but a name—who remembers the Carter Reorganization Project? None of these commissions seized the public imagination.

But, both admirers and critics agree, the Grace Commission was different. In January 1982, President Reagan named J. Peter Grace head of an inquiry to "work like tireless bloodhounds to root out inefficiency and waste of taxpayers' dollars." An Executive Council of 161 leaders supervised 2,000 volunteers, chiefly from the corporate community, who were divided into 36 task forces. Twenty-two groups studied specific agencies while the other 14 looked at such systemic problems as personnel management, wage-setting laws, and data processing. Together they published 47 volumes, totaling some 23,000 pages that addressed 784 issues with 2,478 recommendations. All told, Peter Grace told a skeptical press in January 1984, if every recommendation was implemented, the savings would total $424.4 billion over three years, $92 billion in the Pentagon alone.

Five-and-a-half years after President Reagan's announcement, and almost three years after the Grace Commission published its results, its work is still a vital part of the policy debate. Unfortunately, many sensible recommendations made by the commission that would save American citizens billions of dollars are currently being held up because of ignorance, political maneuvering, and pork barrel politics.

The usual congressional inertia threatened to condemn the entire Grace project to oblivion. Its extended shelf life is largely explained by Peter Grace's flare for self-promotion. He sponsored a series of inventive television commercials about the deficit, and formed Citizens Against Government Waste with columnist Jack Anderson to monitor Grace proposals in Congress and generate popular support for the commission. His eye-catching statistics and outrageous tales of government cupidity were natural fodder for newspaper op-ed pages.

Furthermore, strong support from the President ensured that the Grace Commission would not die quietly. Reagan has often mentioned the commission as a model for deficit cutting and he has accepted in principle over 80 percent of the recommendations. The 1986 budget alone incorporated 312 Grace recommendations, although only 125 made it through Congress. The 1987 budget includes 326 Grace proposals.

The majority of those proposals that could be implemented through executive or agency action are now in place. In January 1984, for example, the White House announced it would close 229 government printing plants and eliminate 3,800 publications. Former Secretary of the Department of Health and Human Services, Margaret Heckler, streamlined the Social Security disability appeals process. She also cut back on her staff. The National Park Service began to charge fees for firewood taken from government property; and the Labor Department has changed a number of wage-setting regulations in accordance with Grace recommendations. The Census Bureau and the Patent and Trademark Office have computerized a number of their operations (for the 1980 census, much of the information was tabulated by hand by thousands of clerks); the Education Department has made a concerted effort to collect $65 million in delinquent student loans from current or former government employees. Government travel arrangements have been centralized.

Congressional action has been less prompt—and more muted. In April 1985, freshman Congressman Beau Boulter (D-TX) and Buddy Roemer (D-LA) formed the Grace Caucus in the House of Representatives. Shortly after, Senators Gordon Humphrey (R-NH) and Dennis

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DeConcini (D-AZ) established a counterpart in the Senate. After over a year of effort, the caucus has finally reached its goal of 25 percent representation in each legislative branch—28 senators and 118 congressman have signed on.

The caucus's first big push is the "1986 Grace Legislative Package," a collection of 15 separate bills encompassing 73 different commission recommendations that could save up to $24 billion over the next three years. The bills cover such nuts-and-bolt items as requiring federal agencies to step up debt collection; hiring more I.R.S. agents; requiring recipients of housing benefits to verify their income; forcing the different branches of the armed services to share technical research; eliminating wasteful mailing practices; permitting random inspections of meat and poultry processing plants; and consolidating the hiring of paralegals in the Justice Department. Introduced in late June, the Grace package will probably not get a full hearing before the next Congress convenes. Those items that do not pass the first time through, says Boulter, will be reintroduced until they do. Staffers of the caucus are already combing the commission reports to figure out the next wave of proposals.

Policy vs. Waste

The Grace Commission has run into a number of problems. The Congressional Budget Office and the General Accounting Office both questioned the Commission's savings estimates, though they also agreed with two-thirds of the recommendations. Congressional critics charged that the members of the task forces strayed from their mandate to root out waste and mismanagement and instead addressed questions of policy. This is true. Putting soy extender into school lunches, for example, might save money, but the refusal to do so is not really waste. It's a question of policy.

However, the line between waste and policy is often blurred. In many cases, the private sector consistently performs the identical functions as the federal government more cheaply and better. Failure to imitate private practices in such cases, can rightly be considered poor management, which the Grace Commission was asked to identify. Sometimes, too, the federal government runs commercial operations at a loss. This is waste.

Here are five examples of Grace recommendations that involve policy questions. But the bottom line is that they all unnecessarily cost the taxpayer—lots. A committed Congress and a more activist White House could make the difference, but have so far failed to make the effort.

1. Repeal or reform the Davis-Bacon Act.

The Davis-Bacon Act discourages small contractors, blocks employment opportunities, and costs the federal government billions of dollars every year. But try telling that to Austin Murphy (D-PA), chairman of the Subcommittee on Labor Standards, or Tip O'Neill (D-MA), who are committed to keeping Davis-Bacon just the way it's always been, regardless of the consequences.

Enacted in 1931, the Davis-Bacon Act requires that workers on federally funded construction projects of more than $2,000 be paid the "prevailing wage" for their work. The rationale was to prevent construction firms during the Depression from undercutting local builders by hiring itinerant labor at slave wages. Over the last 55 years, the act has developed a powerful ally in big labor as the Labor Department consistently defined "prevailing wage" overgenerously; in some places prevailing wage is simply a euphenism for union wage. According to a study by Oregon State University professor Martha Norby Froundoff, the act increases construction costs on non-residential buildings between 26 and 38 percent. The General Accounting Office estimates that repeal of Davis-Bacon could save $4.97 billion over three years.

The Davis-Bacon Act discourages small contractors, blocks employment opportunities, and costs the federal government billions of dollars every year.

Apart from its financial costs, the Davis-Bacon Act now works directly counter to its original intention of protecting local builders and small businesses. Some 80 percent of the 900,000 construction firms in the United States have four or fewer employees, for whom the high wage structures and incredible paperwork associated with the act make bidding on federal projects prohibitive. It is telling that while local contractors were used on 47 percent of non-Davis-Bacon projects, they participated in only 28 percent of projects covered by the act.

The National Association of Minority Contractors, the National League of Cities, the National League of Counties, the Associated Builders and Contractors, and the National Federation of Independent Business all support reform or repeal of Davis-Bacon. So this is what the Grace Commission recommended. Simply raising the minimum threshold—the dollar figure at which contractors become subject to the act—from $2,000 to $25,000 could save $264.8 million over three years.

The legislative response has been tepid. The reason is simple: for Democrats, Davis-Bacon has been an article of faith for over 50 years. As Tip O'Neill rumbled to a reporter from the *Washington Monthly* in January 1983, "There will be no challenge to Davis-Bacon in this Congress. Absolutely none." It is the litmus test issue for organized labor. For Republicans, the question of repeal is complicated because President Reagan promised in 1980 in a letter to voters in Pennsylvania and Ohio that he would not repeal Davis-Bacon.

However, there is clearly room for improvement. Davis Bacon has not changed at all since 1964, when provisions were added that required that fringe benefits be included as part of the wage determination. The act has not changed in substance since 1935. One would think that even those who agree with the principle of Davis-Bacon would sense the need for reform. This is not the case. Suggesting even

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the most limited reform is a good way to be accused of lacking sympathy for workers. As an impassioned Mario Biaggi (D-NY) lectured the House on August 15, 1986, when it debated raising the threshold on defense contracts, "You are threatening the livelihood of the working people of America."

A bill introduced by Charles Stenholm (D-TX) in January 1985 that would have raised the threshold of Davis-Bacon and required some regulatory reforms, has been gathering dust at the Subcommittee on Labor Standards of the Committee on Education and Labor ever since. Austin Murphy, chairman of the subcommittee, has been promising for the last 18 months to have hearings but has yet to follow through: the easiest way to kill reform is to never let it be voted on. Now Congressman Murphy has finally, publicly promised to hold hearings.

Last year, Senator Phil Gramm (R-TX) offered an amendment to the Military Construction Authorization bill that would have raised the threshold to $1 million on military construction contracts and instituted certain changes in wage determination proceedings. Though the amendment made it through the Senate Armed Services Committee, it was dropped in conference with the House.

Stenholm introduced an amendment to the highway authorization bill in 1985, to raise the Davis-Bacon threshold—that was defeated in the subcommittee. He tried again this year, in an amendment to the Surface Transportation and Uniform Relocation Assistance Act of 1986, but withdrew the amendment after a bruising debate concerning Davis-Bacon reform on military construction, noting that "the House spoke quite clearly of their reluctance to reform the Davis-Bacon Act."

One hopeful sign of possible reform was when the Senate this year voted to limit Davis-Bacon protection on defense construction to contracts exceeding $250,000 and wiped out a good deal of the paperwork requirements. The original legislation put the ceiling at $1 million, which would have saved $800 million over five years. But joined by Dan Quayle of Indiana, committee Democrats managed to reduce the ceiling to one-fourth the original figure. Congressman Dickinson offered matching legislation in the House. But Dickinson's bill was undercut by a worthless amendment by Gus Hawkins (D-CA), which simply proposed a $25,000 threshold with no administrative reform. According to the Congressional Budget Office, this might raise a whopping $2.78 million over five years; the Dickinson legislation would save $150 million over the same period. The toothless Hawkins bill passed 406-5: the five votes against it were all from congressmen who felt that no change at all should be made.

2. Reform or repeal the Service Contract Act.

The Service Contract Act is the twin of Davis-Bacon, except that it applies to a different set of workers—blue collar service employees, such as janitors, guards, and maintenance personnel. If a service company with five or more employees contracts for at least $2,500 with the federal government, it is automatically subject to the act. Changes in 1972, 1976, and 1979 broadened the scope of the act still further, to cover a number of white collar service workers as well as maintenance and repair employees of high tech firms that deal with the government. The threshold has not been raised since the act was passed in 1965.

In 1983, the G.A.O. recommended that the act be repealed or substantially modified, but so far all legislative efforts have failed. The Grace Commission estimated—and the G.A.O. agreed—that repeal of the Service Contract Act could save $3.31 billion over three years. Just raising the threshold to $25,000 and limiting coverage to blue collar workers would save well over $100 million a year.

The recent attempts to reform the Service Contract Act mirror the Davis-Bacon experience. A 1984 reform bill never even made it to the hearing stage and simply died in the Senate Labor Committee. Senator Gordon Humphrey (R-NH) offered another reform bill, the Service Contract Reform Act, last March. The legislation would raise the threshold to $200,000, sharply limit the kinds of contracts to which the act applies, and redefine the term "prevailing wage." It has yet to be discussed.

Then Humphrey decided to amend the Department of Defense Authorization bill by inserting a provision that would raise the threshold from $2,500 to $1 million. The Congressional Budget Office estimated that this could save $800 million over five years. Although this measure was reported out of the Armed Services Committee, Edward Kennedy (D-MA) led the charge against it when the authorization bill came up for a vote before the full Senate. Kennnedy proposed a motion to strike the language concerning the Service Contract Act from the bill. Senator Howard Metzenbaum (D-OH) epitomized the level of argument with this outburst, "I find it appalling that this Senate would further impoverish these already poor Americans to feed the greed of Pentagon weapons makers. Star Wars and MXs should not be purchased at the expense of the dignity of janitors and housekeepers." The reform failed, 62-34. Senator Phil Gramm vowed on the Senate floor that he would come back year after year until the Service Contract Act is reformed, and Humphrey seems equally determined. But they could use some help from the Reagan Administration, which seems wary of touching any labor issue. "There hasn't been any White House leadership," Humphrey told *Policy Review*. "There hasn't been any lobbying on the administration's part at all. They didn't lift a finger."

3. Close unnecessary military bases.

In an era of long-range missiles, it hardly seems necessary to have an active military post with a moat around it. But we do: Fort Monroe in Virginia, which has 2,900 personnel stationed there. The Pentagon's attempts to transfer the personnel to a nearby base and turn Fort Monroe into a full-fledged museum have been thwarted by congressional intervention.

Not so long ago, if the Defense Department wanted to close or realign bases, it simply did so. That was its job, after all. But throughout the late 1960s and 1970s, Congress steadily voted itself increasing power to review base closings. By the end of the decade, the Pentagon had to notify and justify any proposed closing before Congress, and could be required to do a mountain of paperwork to implement the decision.

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Courtesy of Fort Monroe.

Fort Monroe is our only military post with a moat. It dates from the War of 1812.

The Grace Commission recommended that a complete investigation be made of all military bases as a first step to substantial realignment. No action has been taken, however, because military bases are sacred to Congress, which keeps a tight rein on the Pentagon. At the pleading of former Senator Edmund Muskie of Maine, for example, in 1980 the Senate Armed Services Committee inserted language into the military construction authorization bill "prohibiting the realignment of Loring Air Force Base" in Maine. The Pennsylvania congressional delegation was able to add language to the 1982 House defense appropriations bill stating that "the Army shall continue the maintenance of CH-47 helicopters at the New Cumberland Army Depot." Camp Pendleton and the Naval Academy dairy farm are, by law, prohibited from closure procedures.

There are 5,535 U.S. military installations around the world, 3,868 in the United States. The Pentagon estimates that only 312 of these are essential for national defense. To politicians, however, military bases are considered first and foremost local jobs programs, and no congressman worth his pork will let one close without a battle. Every state and almost 60 percent of all congressional districts contain or are adjacent to military installations. Congressman Denny Smith (R-CO) introduced legislation to ease base closure decisions, but it has been stuck in the Subcommittee on Military Installations and Facilities since the beginning of this session. "A base is considered a real prize by a lot of Congressmen," comments Dean Zerbe of Smith's office. "So they make sure a vote never happens . . . I can't think of a case where we've had an up and down vote on base closure."

For a Presidency committed to reducing the size of government, the Reagan Administration gave up pretty quickly on the issue of closing bases. In March 1981, Secretary of Defense Caspar Weinberger asked the chiefs of each of the services to recommend base closures and realignments to meet a target of $1.25 billion in savings. Two of the chiefs responded that none of their installations should be closed; the others came up with only 40 percent of the target.

Despite this lax response, since then Weinberger has granted the services the responsibility for carrying out base realignments. According to the Grace Commission report on the Office of the Secretary of Defense. "No goals were imposed and little action has been evident."

The way the system now works, to close a base, Secretary Weinberger asks the service secretaries for their recommendations, then sends these recommendations to Congress, which has 60 days to act. He has done this only twice, both times at Congress's specific request, never on his own or as part of the budget.

Therefore, the blame for the footdragging does not all belong to Congress. In July 1983, Weinberger berated Congress for making it "virtually impossible to close any military installation in the country, regardless of the merits of the case." So Congress made base closure proposals part of the budget process, ensuring that every closure would be voted on within a year. And Congress made it easier to close smaller installations—those with fewer than 300 civilian employees. These account for 547 of the 907 major installations in the country, and the vast majority of all domestic military facilities. Congress kept significant authority over only about 10 percent of all military facilities. As long as the Pentagon gives Congress 60 days notice of intent to close, the only way Congress can stop the closure is to pass specific legislation forbidding it.

But Glenn Flood, a public affairs officer at the Defense Department, says that "The secretary has not asked to close any smaller bases." Why not? "He knows it's very difficult to close an installation." So Weinberger has this authority over about 90 percent of the bases in the country but has never used it? "That's correct."

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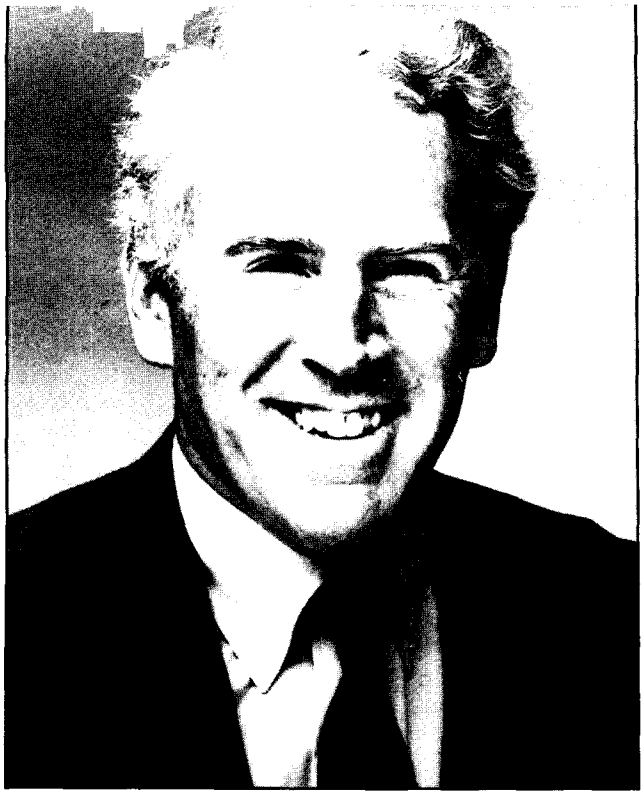

Courtesy of Congressman Fazio.

Congressman Vic Fazio introduced legislation prohibiting the use of funds to study the transfer of P.M.A.s until "specifically authorized by Congress."

4. Restructure or privatize the power marketing administrations.

There are five federal power marketing administrations (P.M.A.s). Collectively, they cover 32 states, including virtually the entire country outside the northeast and upper midwest. Four P.M.A.s—Alaska, Southeastern, Southwestern, and Western—transmit, distribute, and store power generated by federal hydroelectric projects. The Bonneville Power Authority also produces power. Federal P.M.A.s produce about six percent of the country's electrical capacity.

They are supposed to "encourage the most widespread use of power at the lowest possible rates to consumers consistent with sound business principles," in the words of the administrator of the Southwestern P.M.A. However, sound business principles hardly characterize the way P.M.A.s operate, and the federal government is not getting a fair return on its investment.

- P.M.A.s are supposed to repay their investments within 50 years. Founded in 1936, Bonneville was only eight percent repaid after 48 years; Southwestern was five percent repaid after 39 years; Southeastern had paid back 27 percent of its debt after 33 years; and the Alaska P.M.A. had returned just 12 percent after 19 years. Only the newest P.M.A. is on target: the Western P.M.A. has paid 36 percent of its debt over eight years. Yet the P.M.A.s can claim that they are "on schedule" in debt repayment. As a staff member of the House Subcommittee on Water and Power Resources explains it, "They 'balloon' the payments to pay a little at the beginning and a ton way down the road . . . say, one percent one year and then 80 percent in the last year. Of course it will never happen."
- Bonneville's debt grew from $2.7 billion in 1970 to $8 billion in 1984. Over that time, it repaid only $126 million.
- P.M.A.s have allowed excess power capacity to dissipate rather than sell it.
- The Southeastern P.M.A. sells its power at nine mills per kilowatt hour; the private sector cost is 39 mills.
- Improvements to P.M.A.s are made at the original interest rate of the project, not the going rate. And the original interest rate is frequently artificially low in the first place, because interest is set at the time of authorization, not construction.

The Grace Commission recommended either reforming the rate system and rescheduling debt repayment, or selling off the P.M.A.s to regional governments or the private sector. Neither proposal has gone anywhere. Sale of the P.M.A.s raises many difficult issues concerning treaties, contracts, maintenance of services, and private sector support. Yet according to Congress, the administration should not even be allowed to ask such questions.

In May 1986, Congressman Vic Fazio (D-CA) offered an amendment to this year's Urgent Supplemental Appropriations Act which prohibits the federal government from studying any propsosal to sell the Tennessee Valley Authority or the P.M.A.s without specific congressional authorization. In other words, the White House can't even think about privatizing P.M.A.s without asking Congress. Representative Robert Smith (R-OR) supported the Fazio amendment, noting that studies should not be allowed because there are "too many questions without answers." Marilyn Lloyd (D-TN), argued that "privatization . . . is not an issue to be decided without proper consideration and extensive scrutiny," then voted against allowing the administration to study it.

The Senate even refused to pass Silvio Conte's (R-MA) modest amendment to allow the administration to spend $400,000, with the vote almost entirely on geographic lines. In addition, Senator Dan Evans (R-WA) has readied a bill to ban any divestiture of P.M.A.s for 10 years.

Privatization, then, has been effectively blocked. What about rate adjustment and debt repayment reform? Naturally, no one wants to pay higher utility rates, but it does seem unfair that San Diego residents pay 12 cents per kilowatt hour for private electricity while northwesterners pay 2.5 cents for subsidized public power.

Yet in September 1982, conservative Republican James McClure of Idaho and Senator James Sasser (D-TN) offered an amendment to the continuing appropriations resolution that prohibited the use of funds for "any studies relating to or leading to the possibility of changing from the currently required 'at cost' to a 'market rate' method for the pricing of hydroelectric power" by the P.M.A.s. In 1984, Senator Mark Hatfield (R-OR) added the same language to a 1984 energy and water bill. For the last three years, the House has passed as part of the appropriations bill language forbidding the study of using market rates to determine P.M.A. fees.

Senator Howard Metzenbaum introduced a bill in 1984 to require P.M.A.s to make fixed annual payments to their debt. But it was referred to the Senate Energy Committee and died quietly there. Last year, Metzenbaum offered the same language to the Budget Committee, but it got only two votes from the 22 members.

Congressman Thomas Petri's (R-WI) similar attempt last year to require P.M.A.s to make equal annual payments also failed. According to one House staffer, "It blew up in

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his face. Everybody went crazy. What it means is that they have to pay their debt and they don't pay their debt now." Petri withdrew the legislation on the understanding that the Water and Power Resources subcommittee would hold hearings on the subject, which are tentatively scheduled for early next session.

But change is unlikely because the present system benefits so many states. The P.M.A.s are supposed to recover their costs, but rates are set so low that they do not. To suggest raising them is political suicide. Ed Ossan, director of the Water Resources Program for the National Wildlife Federation, says that P.M.A.s are run "in a manner that is lucrative for the purchaser and financially unsound for the federal treasury."

5. Impose user fees for Coast Guard users.

If Malcolm Forbes's yacht runs out of gas, he can call the Coast Guard for a free tow to shore. The Coast Guard is not allowed to charge. The Grace Commission recommended that the Coast Guard charge fees for such services to generate up to $1.6 billion over three years. Their rationale was simple: why should the public pay for services only a few, mostly rich, people can use?

Presently, the Coast Guard collects about $3 million through a very limited fee system and about $15 million from a fuel tax. Many boaters claim that the fuel tax is enough of a charge for Coast Guard services. But motorists also pay fuel taxes and they do not expect the government to tow them when they get into trouble.

The eminently sensible idea of the Coast Guard charging for its commercial services has been thwarted by congressmen afraid of offending the vocal boating lobbies. As far back as 1955, the General Accounting Office recommended that the Coast Guard should charge for certain non-emergency activities, but Congress has refused to enact the necessary legislation.

In 1982, the Coast Guard identified $800 million in taxpayer subsidies to boat owners. These included free port security, commercial vessel safety, and recreational boating inspection. But Congress killed legislation in both fiscal 1982 and 1983 that would have authorized the collection of user fees in these areas. Fees would not be charged for emergency rescue, law enforcement, border control, or polar ice operations.

In April 1985, Congressman Silvio Conte, a Republican who represents landlocked western Massachusetts, introduced at the Reagan Administration's request the Coast Guard User Fee and Authorization Act. It is a measure of the unpopularity of the idea of Coast Guard user fees that Conte could find no cosponsors for the bill, which would have raised about $100 million a year. The House Merchant Marine subcommittee on Coast Guard and Navigation, chaired by Representative Gerry Studds (D-MA), held hearings on the bill that June; since then, it has never been reported out.

Conte then tried to offer the language of his bill to the budget resolution, but the rules committee refused to allow him, in both 1985 and 1986. When the budget resolution did emerge out of the House in 1985, it recommended legislation authorizing $50 million in Coast Guard user fees, but the provision was lost when the Senate Commerce Committee chose to substitute savings from other programs. "This was not a serious legislative effort," says a staff member of the House Subcomittee on Coast Guard and Navigation. "The administration never lobbied at any point in 1985. We asked OMB to send up a representative to testify and they refused." The subcommittee now recommends fees for direct services such as vessel inspections and low line and tonnage measurements, but the House Merchant Marine and Fisheries committee failed to report out even these modest measures this year.

Boaters claim that the fuel tax is enough of a charge for Coast Guard services, but motorists also pay fuel taxes and they do not expect the government to tow them.

On the Senate side, the effort is to devise indirect methods of charging fees. This year the Commerce Committee reported out for the first time a comprehensive user fee system. The proposal works much like AAA for cars: boat owners would buy a stamp for $18 that would entitle the buyer to certain Coast Guard services. Those who choose not to buy the stamp would be subject to a stiff schedule of direct fees every time they needed the Coast Guard. The proposal, called the Support of Services system, would raise about $150 million over three years.

The problem is that the Senate's proposal is unacceptable to to House. The Commerce Committee proposal, says a House staffer, "would destroy the relationship between boaters and the Coast Guard. It will create the idea that the services of the Coast Guard are for sale. We think it's a terrible idea."

Sources in both the House and Senate say that Coast Guard fees, as usual, will be dropped when the House and Senate meet to reconcile their budget resolutions. "My understanding is that there is an informal agreement that it will be given up in conference," says one supporter of the idea. "Politically, Coast Guard user fees just aren't acceptable." Boaters used to getting free service are not going put up with having to pay for it.

Beyond the Status Quo

The Grace Commission produced the most extensive survey of the executive branch in history. But in many cases, Congress seems determined to cling to the status quo, while the White House refuses to spend political capital to push through bold budget cuts. Solid opportunities to mobilize support behind cutting the deficit have been squandered; special interests have won out over the public interest. The Grace Commission doesn't have all the answers, but when Congress decides to get serious about the deficit—and it can't dither forever—they will have to turn to its work. The best days of the commission may yet be ahead.

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RONALD REAGAN'S PEACE OFFENSIVE

Containing the Soviets without Going to War

ADAM MEYERSON

The time has come for liberals and leftists in the Democratic Party and Western Europe to reexamine one of their most deeply held assumptions: the idea that Ronald Reagan and the foreign policy he espouses will lead the Western alliance into war.

This assumption was one of the leading themes in Jimmy Carter's reelection campaign in 1980, and it is a central platform of the British Labour Party and the West German Social Democrats. It is the guiding foreign policy principle for Democrats and many northern Republicans in the House of Representatives. It is an article of faith in college towns, where cars still carry bumper stickers saying "Reagan '84, War '85."

Yet here we are, well into the sixth year of the Reagan Administration, and America and Europe are at peace. President Reagan came to office after seven years in which liberal foreign policy ideas prevailed and 10 countries were forcibly taken over by Marxist dictatorships allied with the Soviet Union. Reagan has put a stop to the worldwide advance of Soviet power, and even rolled it back slightly. And at every stage of the way, he has fundamentally undermined the foreign policy arguments of contemporary liberalism.

The liberal Democrats in Congress obstructed Reagan's effort to resist Communist aggression in Central America by giving military aid to El Salvador. They said aid would prolong war in Central America, put the United States on the wrong side of social change, and embroil American troops in another Vietnam quagmire.

But any honest look at Central America will show that the region is much less violent today than when Reagan took office. Ten thousand people were killed in the Nicaraguan civil war of 1978-79. The most brutal carnage by death squads in El Salvador took place in 1980, under Jimmy Carter, when at least 9,000 people were killed. Since Reagan's inauguration, the death squad toll has steadily declined and last year stood at 132. In Guatemala, the number of violent deaths for political reasons has fallen steadily from 3,630 in 1981 to 584 last year.

Freely elected governments have replaced military dictatorships in El Salvador, Guatemala, and Honduras. And direct involvement by U.S. troops in a Central American war is less likely than when Ronald Reagan took office. This is in good measure because of President Reagan's unswerving commitment to the *contras* of Nicaragua: By keeping the Sandinistas on the defensive, while holding the line against aggression in El Salvador, Reagan's *contra* strategy has bought time for El Salvador, Guatemala, and Honduras to open up economic opportunities for their populations and to build up the democratic traditions that are ultimately the strongest bulwark against Communism.

Grenada vs. Afghanistan

Reagan's liberation of Grenada in 1983 was denounced as a trigger-happy breach of international law by congressional liberals such as Daniel Patrick Moynihan, Michael Barnes, and Bill Alexander, as well as most of our European allies, including Margaret Thatcher. The *New York Times* editorialized that the United States was a "paranoid bully" and suggested that the Grenada mission was equivalent to the Soviet invasion of Afghanistan.

In retrospect, it is clear that the Afghanistan analogy was preposterous. The seizure of Afghanistan was an act of naked aggression that has been followed by seven years of occupation and mass murder by Soviet troops. It has inspired a ferocious resistance by the Afghan people, and led to the flight of five million refugees into Pakistan and Iran. The Grenada invasion was an act of liberation that was overwhelmingly supported not only by the island's Caribbean neighbors, but also by the Grenadian people. The whole operation cost the lives of 19 American servicemen and 45 Grenadian civilians, and the U.S. troops withdrew almost immediately. Free elections were held in 1984, with 90 percent of the votes going to candidates who applauded the U.S. action. Today Grenada's airport is named after Ronald Reagan and the anniversary of the U.S. invasion is celebrated as a national holiday.

Perhaps even more important, Reagan's action in Grenada has preserved the peace on other islands in the eastern Caribbean. Jimmy Carter's nonchalant reaction to a bloody Soviet-linked coup in Afghanistan in 1978, and to the killing of the U.S. ambassador to Kabul by Afghan

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police in early 1979 (after which the U.S. continued to send Afghanistan aid!), was an open invitation for the Soviets to do whatever they wanted in Afghanistan. It may well have emboldened the Soviets, normally cautious about using their own troops directly, into invading in late 1979.

By contrast, Reagan's swift response to the bloody Grenada coup of 1983, again carried out with Soviet blessing, put the Soviets, Cubans, and Libyans on notice that armed takeovers of other Caribbean islands simply would not be permitted. Thanks to Reagan, no such takeovers have taken place. If the liberal Democrats and Europeans had had their way, it would be open season in the Caribbean for armed cadres of would-be tyrants.

Reagan has similarly proven many in Congress and Europe wrong on arms control. Britain, West Germany, Italy, and the Netherlands deployed Pershing IIs and cruise missiles in response to the Soviet SS-20s, yet contrary to the predictions of Reagan's left-wing critics, Europe is still at peace. Reagan's unshaking commitment to strategic defense has made the Soviets more willing to negotiate in arms control talks, not less willing as his critics predicted. Meanwhile, by refusing to sign an arms control agreement unless it permits strategic defense deployment or otherwise improves the security of the American people and our allies, President Reagan has totally undercut the basic premise of the arms control community in both America and Europe. He has shown that peace between the U.S. and the Soviet Union does not depend on "progress" in arms control as measured by new agreements. And now the British, German, Japanese, and Israeli governments have joined Reagan in recognizing that strategic defense, by reducing the ability of the Soviet Union to intimidate the West, makes war less likely rather than more likely.

Critics have also misjudged and misunderstood Reagan's close ties with authoritarian anti-Communist regimes. They said Reagan had no interest in democracy, but in fact 10 countries (Argentina, Bolivia, Brazil, El Salvador, Grenada, Guatemala, Honduras, Philippines, Turkey, and Uruguay) have gone democratic since he took office, and four others (Haiti, Pakistan, South Korea, and Taiwan) are pledged to substantial democratization.

Nicaragua vs. Philippines

Because Reagan is slow to speak out publicly against the misdeeds of friendly governments, his liberal critics think he has no concern for human rights. But in fact Somoza killed more civilians during the Carter Administration than Marcos did during the Reagan Administration. Alternately hectoring, alternately conciliatory, always incoherent, the Carter Administration failed to convince Somoza to hold elections that would either reestablish his legitimacy in the eyes of his population or set the stage for a non-Communist successor; the result was a power vacuum that the Sandinistas were only too happy to fill. By contrast, the persistent yet patient and friendly urgings of the Reagan Administration persuaded Marcos to hold the elections that led to the presidency of Corazon Aquino. It is still unclear whether Mrs. Aquino, with her naivete about ceasefires and negotiations, will be able to defeat the Communist insurgency, but at least her popular government has given the Philippines a fighting chance.

The liberal human rights strategy is to withdraw U.S. aid from unsavory regimes, and simply hope for the best in whatever follows. This has led to Khomeini and the Iran-Iraq war, the emergence of a Sandinista government well on the way to being the next Cuba, the exodus of Vietnamese boat people, and the Cambodian holocaust. The Reagan approach is to accept some of the current imperfections of our allies, and lay the groundwork for democratic institutions over the long run. It has proved to be a better strategy both for human rights and for peace.

Any honest look at Central America will show that the region is much less violent today than when Reagan took office.

Reagan's bombing of Libya this spring was one of his few decisive acts to be approved by most liberals in Congress. It was denounced, however, by the European left, and even many of the European governments. Again, all the arguments of Reagan's critics have been refuted. Libyan, Syrian, and Iranian terrorism did not increase in the aftermath of the bombing. It sharply declined for about five months, though the barbarous murders in Karachi and Istanbul suggest that terrorist forces may be regrouping for another wave of attacks. The people and army of Libya did not rally around Qaddafi as a nationalist hero; on the contrary, his power within the country seems to have waned. Of course, Reagan's bombing raid might have been unnecessary if European governments had previously taken the security measures they finally took after the raid, especially the expulsion of Libyan diplomats who were suppliers of weapons and explosives to terrorists.

In his five-and-a-half years as President, Ronald Reagan has given new meaning to the old saw, peace through strength. He has revived the strategy of containment and nuclear deterrence ignored by Jimmy Carter and the San Francisco Democrats, but followed by most American Presidents since World War II, a strategy that has given the planet 41 years of stability after two ghastly world wars that followed each other by a mere 20 years. In supporting anti-Communist guerrillas at the peripheries of the Soviet empire, President Reagan has also recognized that the best defense against aggression is a good offense. But Reagan has been careful not to apply the Reagan Doctrine to areas that the Soviets consider their vital interests. He does not send Stingers to freedom fighters in Poland or Uzbekistan or the Ukraine, and for good reason. It is no accident that many of the paperback scenarios for World War III start with popular revolts in the Soviet bloc. Perhaps that is the next challenge for conservative strategic thinking: how to roll back Communism in Eastern Europe and the Soviet Union itself, without provoking a world war in which all our freedoms would be destroyed. ☎

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DEPARTMENT OF DISINFORMATION

SIXTY-NINE YEARS OF "REFORM"

CHRISTOPHER M. GRAY

Summit time always witnesses a rash of optimistic assessments of the Soviet dictatorship. From the time of Lenin to the present, we have been hearing about Soviet "leaders" and their bold new efforts to vivify the Russian economy and unleash thrilling liberties upon the people. Here, then, a list of views which document, not Soviet reform, but the foolish and idealistic projection of Western expectations upon a series of Soviet despots.

LENIN

Walter Duranty, *New York Times,* October 6, 1921

[Lenin has a] cool, far sighted, reasoned sense of realities . . . [He is willing to] put aside what experience has shown to be impractible theories and devote himself to rebuilding Russia on a new and solid foundation.

Stephen Cohen, *Bukharin and the Bolshevik Revolution* (New York, 1973).

(Lenin's) New Economic Policy, like Weimar culture, was a major chapter in the cultural history of the 20th century, one that created brilliantly , died tragically, but left an enduring influence . . .

It was this toleration of social diversity, as well as the official emphasis on social harmony and the rule of law, as opposed to official lawlessness, that 30 years later would commend the N.E.P. to Communist Party reformers as a model of a liberal Communist order, an alternative to Stalinism.

STALIN

Louis Fischer, *The Nation,* March 19, 1930

One returns to the country to find not only new achievements, radically new policies, and a new social atmosphere, but a powerful, all enveloping, newly released wave or wall of energy and enthusiasm . . .

Everything moves here. Life, the air, people are dynamic. When I watch these recently unsealed reservoirs of energy I am sometimes carried away and think that nothing is impossible in the Soviet Union.

Malcolm Cowley, *The New Republic,* September 11, 1935

[The Soviet leaders are] turning their attention to minor products—flower beds, jazz bands, joy, light wines, and the secret ballot.

Walter Duranty, *New York Times,* December 22, 1929

The fact is that Stalin today represents "L'Audace, L'Audace, L'Audace," which the French revolutionary Danton described as the key to victory. Stalin represents not only Leninism but the desire and aims of the strongest, youngest, and boldest section of modern Russia.

Walter Duranty, *New York Times,* June 14, 1931

Stalin is giving the Russian people—the Russian masses, not Westernized landlords, industrialists, bankers, and intellectuals, but Russia's 150,000,000 peasants and workers—what they really want, namely, joint effort, communal effort.

Sidney and Beatrice Webb, *Soviet Communism: A New Civilization* (1936)

[Among] the other functions of this extensive government department [the O.G.P.U. secret police] is the considerable social services rendered by its uniformed staff, and its achievements of a reformatory character, [which] now constitute a larger proportion of its work than its criminal prosecutions or the imposition of death sentence.

W.E.B. DuBois, *The Seventh Son* (1937)

He [Stalin] asked for neither adulation nor vengeance. He was reasonable and conciliatory.

ANDROPOV

Stephen Cohen, *The Nation,* December 18, 1982

And yet, Andropov seems to have been the most reform-minded senior member of Brezhnev's Politburo, an impression he chose to reinforce cautiously in his first policy speech as the new General Secretary. Nor does his 15-year

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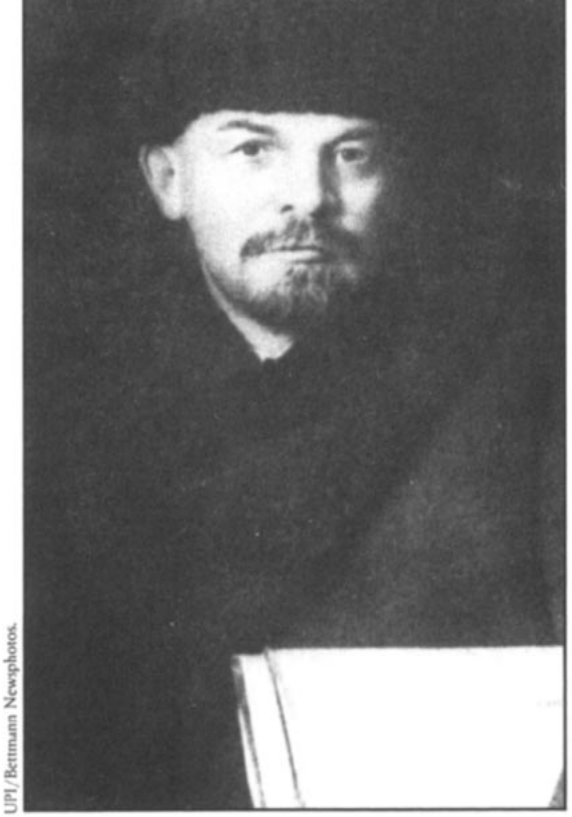

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LENIN: "toleration of social diversity."

STALIN: "reasonable and conciliatory."

CHERNENKO: "old man in a hurry."

ANDROPOV: "colorful man."

GORBACHEV: "unusual sensitivity."

UPI/Bettmann Newsphotos.

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stint as head of the K.G.B. disqualify him as a potential reformer. Soviet police chiefs, who must understand the limits of control, have become advocates of liberalizing change before. Indeed, Andropov may be the only current leader who can assuage conservative fears of reform. And lest we forget that politicians sometimes rise above their former careers, Khrushchev once was called the "Butcher of the Ukraine" for his part in Stalin's terror.

John F. Burns, *New York Times,* November 20, 1982

The diplomats predict that if Mr. Andropov has his way, which is far from certain, the first months of his tenure could see the beginning of a major crackdown on corruption, a cutback on some aspects of the bureaucratic red tape that entangles the Soviet system, and perhaps a move toward a slightly less rigid economic system.

Dusko Doder, *Washington Post,* November 20, 1982

From what little is known about him, the somewhat professorial-looking Andropov has been better prepared for supreme office than any of his predecessors. With the exception of Lenin, the founder of the Soviet state, he is the first intellectual in this post.

He likes theater and the arts and has written extensively on ideological matters. The 15 years he spent as head of the K.G.B. security police have made him probably the most informed man in the country. In that post he was, in a way, both foreign and interior minister in charge of a vast organization with foreign and domestic responsibilities.

Ned Temko, *Christian Science Monitor,* November 20, 1982

If one is to judge a man from the company he keeps, Mr. Andropov is doubly interesting. For among those said by senior officials to be closest to the new party leader are some of the Soviet policy machine's more articulate and less dogmatic specialists, as well as some early public theorists of Soviet detente with the West.

Ned Temko, *Christian Science Monitor,* November 13, 1982

One side of Yuri Andropov, such officials suggest, is his suspicion of dogmatic approaches, his readiness to look at what are, at least within an often confining Soviet context, new ideas and options.

Another, potentially contradictory, side is this: he is an extremely tough, shrewd politician.

The overall portrait . . . is of a leader who would like to try new approaches but will also keenly consider the political risks and benefits of such moves . . .

What scant public evidence has emerged so far does seem to suggest a nondogmatic approach and at least a hint of innovation.

Jerry Hough, "Soviet Succession," in *Problems of Communism,* November 1982

Since 1975, Andropov has been much more urgent in his support of detente than any of the other major contenders . . . in 1980, he was the only Politburo member to warn that detente was in serious danger . . . As early as 1976, he was quite explicit in stating that "the policy of peaceful coexistence, as is well known, presupposes negotiations and the seeking of mutually acceptable decisions."

Andropov has not expressed his domestic views as clearly as his foreign policy views . . . But he has alluded repeatedly to "unsolved problems" and especially this last April, to the need to solve them through internal resources. Andropov is likely to favor making the hard choices that economic reform requires (that probably is the meaning of his call to solve problems by internal means). The first ideological decrees issued after he became Central Committee Secretary called for a major expansion of economic education and for a fuller discussion in literary journals of contemporary socioeconomic problems. And since he is the Politburo's specialist on Hungary, it is difficult to believe that the Soviet Union would have been as tolerant of Hungarian economic reform—indeed, quite favorable toward it in the last few years—had Andropov not supported it.

CHERNENKO

John F. Burns, *New York Times,* February 19, 1984

Others [i.e. diplomats] caution against underestimating Mr. Chernenko, who impressed several Western leaders who met him after the funeral as a warmer, earthier man than Mr. Andropov, seemingly comfortable in his new role. Like Deng Xioping, who capped an even more remarkable comeback in China by launching radical reforms, Mr. Chernenko could still prove to be an old man in a hurry. If so, he will confound not only his critics but still more so those in the bureaucracy who look to him for a return to the less challenging times under Mr. Brezhnev.

Chernenko is not one to delegate important decisions. But before making them himself, the source says, Chernenko encourages discussion. During these discussions, the Soviet associate says, he is open to all opinions. Once the decision is made, however, he says Chernenko will not stand for recrimination or second-guessing. He is, the source adds, "a firm advocate of collective leadership," seeking consensus—but fully expecting support from everyone once the decision is made.

Dmitri Simes, cited in *New York Times,* February 14, 1984

We should not dismiss Chernenko too easily and prematurely. We always have this temptation, especially if we compare him to a colorful man like Andropov . . .

Jerry Hough, "Soviet Succession," in *Problems of Communism,* November 1982

If Chernenko is purely a transitional leader, his policy preferences might not be very important. Nevertheless, if he does become the General Secretary, the coalition he has put together and the content of speeches and articles suggest that he is a strong supporter of detente and of some kinds of reform. When Brezhnev presented Chernenko with awards on his 70th birthday, he praised his assistant for being "restless" in the good sense of the term, a man with "a creative, daring approach." In response, Chernenko acknowledged that he sometimes makes "nonstandard decisions."

He has written often of the need for "further perfection of the political system" and frequently expresses what

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sound like anti-bureaucratic, and pro-participatory views. . . .

GORBACHEV

Stephen Cohen, *The Nation,* May 4, 1985

In campaigning for power and since becoming General Secretary, he has pointedly associated himself with long-standing reformist ideas and constituencies in the Soviet establishment. Like earlier reformers, he has indicated that such a domestic program requires a relaxation of international tensions to increase non-military expenditures and to counter conservative protests that change is too risky. Hence his lament over the current "ice age" in those relations, a metaphor that evokes the possibility of a new thaw at home and abroad, and the essential link between them.

The United States therefore must decide whether it is a friend or foe of Soviet reform. A policy of cold war will almost certainly freeze any prospects of a Moscow spring. The alternative is an American response that is open-minded and hopeful, and thus both wise and worthy of a compassionate nation.

Serge Schmemann, *New York Times Sunday Magazine,* March 3, 1985

He was not simply calling, like all Soviet leaders these days, for greater efficiency and managerial innovation. He was calling for a transformation of social relations in the Soviet system, for an upheaval that, as he indicated later in his speech, would lure the working man back into the fold . . . He seemed to be calling for a transformation of the nation as radical as the one wrought by Stalin in the brutal industrialization drive of the 1930s . . .

There is something in the notion of a young, educated, and smooth leader advocating change and lambasting the bureaucracy that the West finds irresistible. It is a feeling based on far more than wishful thinking—it draws on a deep-seated conviction that anybody pragmatic enough to see the obvious flaws of the Communist system can only move his country closer to the Western world. A Gorbachev marveling at the stained-glass windows of Westminister Abbey evokes an image of the Soviet Union edging back at last from the paranoia and absurd claims that have kept it isolated from large parts of the civilized world for six decades. . . .

Denis Healy, quoted in *Newsweek,* March 25, 1985

Gorbachev represents a complete break with the earlier generation, in personality as well as age. He is a man of exceptional charm with a relaxed, self-deprecating sense of humor. Emotions flicker over a face of unusual sensitivity like summer breezes on a pond. In discussion he is frank and flexible with a composure full of inner strength . . . He is a very easy chap to talk to . . . We know he is the candidate of all the forward-looking elements within the Soviet system.

Jerry Hough, "Soviet Succession," in *Problems of Communism,* November 1982

A man of Gorbachev's age and responsibilities would almost surely adopt a young position in favor of reform as a way of gaining support from the younger *obkom* secretaries against the central government and of giving himself an excuse to remove old officials.

Dusko Doder, *Washington Post,* July 30, 1985

From the start, the 54-year-old Gorbachev appeared to be a man in a hurry who wanted the Soviet Union to set aside the traumatic and uncertain years of three Kremlin leadership transitions and who wanted to demonstrate that he was in this for the long run. Plunging into his work after taking office in March, he seemed to project an image of action and purpose wherever he went, urging the people to roll up their sleeves . . .

His activism, his instinct for maneuvering and, above all, his speechmaking abilities came across clearly on national television. He is the first Soviet leader to be also a television personality, bringing with him a casual tone, a mistrust of verbosity and sloganeering, a self-deprecating humor and what many Soviets seem to sense as personal warmth.

His age alone was a factor. It immediately appeared to lift the nation's spirit . . .

Gorbachev's accession to power, other things being equal, holds out the prospect of a significant modernization of Soviet society in the coming decade.

Yuri Andropov's heir has emerged as a figure in his own right, a leader driven by ambition and determination to harness the country's potential and carry out a national reconstruction. He seems to handle the job skillfully, more pragmatic on economic matters and lacking doctrinaire belief in the sanctity of tradition. He is concentrating on the future, clearly trying to disengage himself from a legacy.

A more significant change than public relations, however, has been a revival of the impulse within the ruling elite to reshape the society. While the basic stalemate between the reformers and the bureaucracy remains, the country's political conditions have been transformed . . .

In speech after speech, he has hammered at the central theme of his pronouncements. The country, he has said repeatedly, must bring its economy to Western levels of efficiency and quality. To pull the country from its long doldrums, he said, there must be a thorough-going change in the way the economy is run. The very psychology of economic activity must be altered . . .

While he has absorbed much of the traditional party code, Gorbachev's instincts seem acutely contemporary and he appears to reflect the disquietude of the postwar generation . . . and its longings.

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RANK INJUSTICE

The Arbitrary Record of Comparable Worth

RICHARD E. BURR

Comparable worth is alive and well. Thirteen states will have made comparable worth pay adjustments by the end of 1986, according to the National Committee on Pay Equity, and 34 other states are considering the idea. The concept has also been adopted in several counties and city governments.

The success of comparable worth depends on the assumption that jobs can be evaluated with a reasonable degree of scientific precision and objectivity. Comparable worth advocates are confident. Alvin Bellak, a general partner of the Hay Management Consultants, which has developed comparable worth plans, says "job evaluation is a disciplined, objective process for rank-ordering jobs on an agreed compensable value scale." Eleanor Smeal, president of the National Organization for Women, is certain that "You can measure productivity as well as measure what a person is worth to a company."

But a study of states that determine pay on the basis of comparable worth evaluations shows how arbitrary and meaningless the process is. Consider Table 1. It shows enormous variances in the relative "worth" of the same jobs in different states. For example, a secretary would be ranked first among three jobs in Washington State and Iowa, but last in Minnesota and Vermont. A data entry operator would place first in Minnesota but third in Iowa, while Vermont and Washington would rank the job second.

The lines drawn in Table 1 indicate the crossover of rankings from state to state. In the case of neighboring Iowa and Minnesota, the crossover eventually may translate into actual migration of secretaries and data entry operators, because their worth varies considerably on either side of the state line. You are not paid according to what you do, apparently, but according to where you live. Racial and sexual discrimination give way to geographic discrimination.

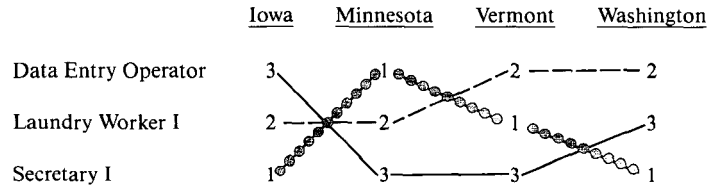
Now consider Table 2 (next page), which compares point scores in three states after converting them to a common base. Iowa, Minnesota, and Vermont furnish the best examples because they provide the greatest amount of information on how they have conducted their comparable worth studies.

Vast discrepancies occur in the job scores for the three states. In Minnesota, for instance, a registered nurse, a chemist, and a social worker all have equal values and would be paid the same. However, Iowa's study finds the nurse worth 29 percent more than the social worker, who in turn is worth 11 percent more than the chemist. While the chemist also receives the lowest point score of the three positions in the Vermont study, the social worker and nurse reverse rankings. The social worker is valued about 10 percent more than the nurse, who is worth 10 percent more than the chemist. H'm.

Even more flagrant differences arise when comparing the scores of the same job across states. A photographer is valued more than twice as highly in Vermont as in Iowa. A photographer in Minnesota is worth 25 percent more than the one in neighboring Iowa. A Minnesota librarian is worth 30 percent more than a Vermont librarian, who in

RICHARD BURR *is a research analyst at the Center for the Study of American Business, Washington University. This is adapted from his report, "Are Comparable Worth Systems Truly Comparable?"*

TABLE 1: JOB RANKINGS VARY ACROSS STATES



[1]Rankings are from 1 to 3, with 1 being the highest rated of the three jobs and 3 the job of least value among the three.

Source: Center for the Study of American Business.

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TABLE 2: COMPARISON OF JOB CATEGORIES

RANKINGS	IOWA JOB	IOWA ORIGINAL POINTS	IOWA INDEX	MINNESOTA JOB	MINNESOTA ORIGINAL POINTS	MINNESOTA INDEX	VERMONT* JOB	VERMONT* ORIGINAL POINTS	VERMONT* INDEX
1	Nurse	(382)	248	Librarian	(275)	275	Social Worker A	(287)	342
2	Social Worker I	(295)	192	Chemist	(238)	238	Nurse-General Duty	(262)	312
3	Librarian I	(273)	177	Social Worker	(238)	238	Chemist A	(238)	283
4	Chemist I	(266)	173	Registered Nurse	(238)	238	Photographer	(238)	283
5	Revenue Examiner I	(254)	165	Dental Hygienist	(209)	209	Dental Hygienist	(196)	233
6	Dental Hygienist	(252)	164	Tax Examiner	(194)	194	Librarian A	(178)	212
7	Secretary I	(217)	141	Photographer	(167)	167	Beautician	(178)	212
8	Photographer	(205)	133	Baker	(147)	147	Tax Examiner A	(178)	212
9	Laundry Worker I	(193)	125	Beauty Operator	(142)	142	Baker	(122)	145
10	Cook I	(188)	122	Cook	(129)	129	Cook A	(111)	132
11	Baker I	(188)	122	Janitor	(111)	111	Janitor [Building Custodian A]	(101)	120
12	Beautician	(187)	121	Data Entry Operator	(106)	106	Laundry Worker	(101)	120
13	Data Entry Operator	(174)	113	Laundry Worker	(105)	105	Data Entry Operator	(92)	110
14	Janitor	(154)	100	Secretary [Clerk-Typist]	(100)	100	Secretary A	(84)	100

Numbers in parentheses indicate original point totals. Other numbers are indicies based on a value of the job class with the lowest point total.

*A range of points was given for each Vermont job. The scores in this table are midpoints of these ranges.

Source: Center for the Study of American Business.

turn is 20 percent more valuable than one in Iowa.

There is also tremendous variance in the number of factors considered to evaluate a job. The widely touted Hay system, developed by Hay Management Consultants, considers 11 factors. A Kansas study created eight factors; Michigan has 11 factors; Wisconsin produced 12 factors; Iowa, which adopted the Hay plan, has 13 factors; and New York settled on 14 factors.

The next step for evaluators is to weigh the relative importance of each factor by assigning a percentage to it, sometimes altering the consulting firm's recommendations. For example, knowledge may be weighted at 25 percent, while working conditions may be weighted at 10 percent. The weight for all factors totals 100 percent.

The process of weighting factors can be very subjective. Table 3 shows just how much the weightings vary across states. For instance, Michigan gave its knowledge factor an 11 percent weight while Iowa more than doubled it to 25 percent. Kansas staked out the middle ground in its proposed scheme; its average weight (high and low values were weighted differently) for knowledge was 18 percent.

Iowa valued knowledge the highest and physical demands the lowest. Michigan rated the consequences of decisions and actions the highest and work pace and context the lowest. Averaging the top- and bottom-level scores showed that Kansas valued contacts the most and physical demands the least.

All of these arbitrary decisions build to the climax of this subjective process—assigning the total number of points to each job. Of course, the value of job characteristics depends on the individual job evaluator. In a Maine study, job evaluators were given instructions explaining how to use a point system. For example, a hypothetical "first-line supervisor job" might be scored at 152, 175, or 200 points depending on the know-how characteristics of the job. "Your final decision," the instructions advised, "is to choose one of these numbers based on your 'feel' for the strength or weakness" of each characteristic in the know-how category. This "get in touch with your feelings" approach is highly subjective and can lead to quite different results. In the case of a New Mexico task force, four of the eight job evaluators agreed on the worth of only eight percent of jobs analyzed. In other words, half of the evaluators could not agree on the same level for a given job in 824 of the 896 classifications evaluated.

All this shows that comparable worth is a concept riddled with bias and arbitrariness. The solution, of course, is not to have a federal standard that determines the worth of jobs—that might level the discrepancies among states, but would be just as arbitrary.

Work does not correspond to a particular dollar figure. Typing letters or building houses has no intrinsic monetary worth; its value is determined by what people are willing to pay. In other words, the market is the proper mechanism for determining wages—not whimsical committees of lawyers and aggrieved feminists.

TABLE 3: WEIGHTING COMPENSABLE FACTORS

KANSAS Factors [1]	Bottom Level %	Top Level %	Average %	MICHIGAN Factors	Indiv. %	Total %	IOWA Factors	Indiv. %	Total %
Knowledges and Skills Required	20%	16%	18%	Knowledge Required	11%	11%	Knowledge from Formal Training/Education Knowledge from Experience	15% 10%	25%
Complexity	20%	18%	19%	Complexity	10%	10%	Complexity, Judgment and Problem-Solving	12%	12%
Consequences of Decisions/Actions	5%	22%	13.5%	Effect Supervisory Controls Guidelines	11% 10% 9%	30%	Scope and Effect Impact of Errors Guidelines/Supervision Available	10% 5% 5%	20%
Contacts	30%	12.5%	21.25%	Personal Contacts Purpose of Contacts	7% 9%	16%	Personal Contacts	10%	10%
Supervision/Leadership	5%	12.5%	8.75%	Supervision Exercised	9%	9%	Supervision Exercised	8%	8%
Environmental Conditions	5%	11%	8%	Work Environment[2]	8%	8%	Working Environment Unavoidable Hazards/Risks	5% 5%	10%
Physical Demands	5%	4%	4.5%	Physical Activities	8%	8%	Physical Demands	5%	5%
Visual/Auditory Demands	10%	4%	7%	Work Pace and Context	8%	8%	Mental/Visual Demands Work Pace/Pressures and Interruptions	5% 5%	10%
8 Factors	100%	100%	100%	11 Factors	100%	100%	13 Factors	100%	100%

Source: Center for the Study of American Business.

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California

The Iron Duke

Thomas B. Silver and Steven Hayward

No, it's not your television set. California really is becoming less colorful. Howard Jarvis died this summer; S.I. Hayakawa is retired; Tom Hayden is in eclipse; Jerry Brown was defeated, and Rose Bird—barring a miracle, soon will be; Ronald Reagan is nearing retirement. Compared with such predecessors, the political men of the hour are a dull lot: the aged Democrats, Senator Alan Cranston and Mayor Tom Bradley; the Republicans, Senator Pete Wilson and would-be Senator Ed Zschau; and the governor, George Deukmejian.

Coming after Ronald Reagan and Jerry Brown, Deukmejian's staid manner and plodding style seem drab. Deukmejian may be the Iron Duke on policy decisions, but on the platform he is more often the Wooden Duke.

"Deukmejian is precisely what he appears to be," writes veteran California political columnist Dan Walters, "a quintessential middle class man, cautiously conservative but not anti-government, proud of his ethnic heritage, close to his family, interested in making the machinery of government work better, but not intrigued by intellectual movements or revolutionary action."

Deukmejian is so middle class that he belongs to the Elks and the Lions. He listens to Gershwin and Barry Manilow. His wife says he is so cautious he won't even drive through a yellow light. *Forbes* magazine called him "a Boy Scout in lotusland."

Though elected by the narrowest of margins in 1982, Deukmejian has become the most popular governor of recent decades—more popular even than Ronald Reagan—with poll ratings surpassing 75 percent at times. His reelection this fall seems certain.

Always a Winner

Courken George Deukmejian, Jr. (pronounced Duke-MAY-gee-un), age 58, is the eldest child of Armenian immigrants who fled the Turkish genocide at the turn of the century. Born in Menands, New York (near Albany), Deukmejian attended Siena College in Loudonville, N.Y., where he earned a B.A. in sociology, and then St. John's University School of Law. In between, he had experienced his first taste of politics, working in a low level post for Governor Thomas Dewey at the 1948 Republican convention in Philadelphia.

Following a stint in the Army in Europe, Deukmejian moved to California in 1955, and rose quickly in the business and political community in Long Beach. He was named Long Beach's "Man of the Year" in 1959. In 1962, Deukmejian ran successfully for the State Assembly, beginning a political career in which he has never lost a primary or general election. He was twice elected to the California Assembly. Six times he was elected to the State Senate, where he worked his way up to majority leader during a brief period of rule for the Republicans.

Deukmejian has always been a hard-hitting closer, like a boxer achieving the knockout in the 15th round. In 1978, he was pitted against Yvonne Braithwaite Burke for attorney general, and was expected to lose. Burke held a 16-point lead in the polls in mid-September. Deukmejian countered with an aggressive series of ads attacking Burke for her opposition to the death penalty, and the Duke moved out to score a 600,000-vote win.

In the 1982 gubernatorial primary, Deukmejian badly trailed former Capitol Records magnate and the current lieutenant governor, Mike Curb. Curb led Deukmejian 50 to 35 percent on May 26, and the Duke was still seven points down going into the last weekend of the campaign. Over the final weekend it was revealed that Curb had exaggerated his political activities while a businessman; he had, in fact, never even been registered to vote.

In the general election against Tom Bradley, the Duke was thought to have lost, even as late as midnight on election night, long after the polls had closed. He won, by 93,000 votes out of 7.7 million cast. Deukmejian actually lost among the vote cast in the booth on election day; a massive absentee ballot effort by Republicans provided the winning margin. A gun control initiative on the ballot is also thought to have brought out many Deukmejian voters who otherwise would not have come to the polls.

Another of the surprising aspects of Deukmejian's political career has been conservatives' lukewarm attitude toward him. Deukmejian's record is solidly conservative. In his early days as a state legislator, he campaigned against crime, Communism, big government, and "the trend toward socialism." He was the author of California's "use-a-gun, go-to-prison" law, and he fought vigorously and successfully to restore the death penalty after it had been nullified by the Supreme Court. As attorney general, he personally defended both of these laws before the State Supreme Court. He is a staunch defender of property rights against state encroachment, and he says environmental "zealotry" has resulted in an anti-business climate in the state. He is critical of the state's Coastal Commission, and he voted against most environmental legislation.

Yet when it came time to choose sides in the 1982 primary, both the wealthy elite that constituted Reagan's "kitchen cabinet" and the conservative shock troops whom the *Los Angeles Times* disparagingly calls the "Cavemen" lined up behind Mike Curb. State Senator H.L Richardson, a powerful pro-gun activist and longtime leader of the right in California, slighted Deukmejian as having "no substance, no guts, no imagination, no fight."

Richardson publicly recanted after Deukmejian's first year in office, as have many conservatives previously dubious about the Duke. "As a state senator, he could be too accommodating," said current Republican Assembly leader Pat Nolan, "but once he became captain of the ship, he began to see the need to keep the ship on the right course."

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Deukmejian's middle class style has been popular with California voters: he has never lost an election.

Deukmejian became captain just as the California ship of state appeared to be sinking fast. From 1978 to 1983, under Governor Jerry Brown, the state spent $5.8 billion more than it received in revenues. Jerry Brown was able to get away with this because of the $4 billion surplus that had accumulated under Reagan; finally voters called an end to the game with Proposition 13 in 1978. Brown bequeathed Deukmejian a $24 billion budget that was $1.5 billion in the red.

According to the conventional wisdom, the new governor would have to call for a tax increase, something he had promised not to do throughout the campaign. So gloomy was the *Los Angeles Times* that its morning-after editorial concluded: "It is difficult to know whether to offer congratulations or condolences to the new governor." The *Times* insisted regularly over the next two months that a tax increase was the only solution.

The conventional wisdom was that Deukmejian, like Reagan before him, would have to break his campaign promise against new taxes. After all, it was Deukmejian who, as a state senator, wrote the unpopular 1967 bill that raised taxes by $943.3 million. (Deukmejian agreed to carry the bill as a favor to Reagan. The two men are reportedly still close.) This time around, circumstances seemed even more severe. California's bond rating was lowered from AAA to AA, and the state came within a few hours of paying its bills with IOUs; 103,000 IOUs had been printed and addressed.

But Deukmejian held fast against a tax increase, and instead cobbled together $600 million in spending cuts with more than half a billion in bank loans, essentially rolling over half the state's debt to 1984. As a condition of the bank loans, Deukmejian agreed to a standby sales tax increase, to begin in the fall if revenues fell short. But 1983 brought rapid economic recovery in California, and the tax never took effect.

Even with the recovery, Deukmejian didn't relent on his frugal ways. The Duke wielded his line-item veto over 350 times on the 1983-84 budget, cutting $1.7 billion from the $27 billion budget submitted by the legislature. In his four years in office, Deukmejian has used the line-item veto 1,283 times, to cut $2.8 billion. Many of his cuts hit hard at entrenched special interests, such as the California Broadcasting Commission, family planning, and assistance to under-funded teacher's pension plans.

Deukmejian was promptly renamed "Governor Scrooge," and his finance director Michael Franchetti was called "Franchetti the Hun." The Democratic-controlled legislature lashed back at Deukmejian by refusing to confirm Franchetti's nomination to serve permanently as finance director. (The legislature also moved to sell the governor's mansion.) By June 1984, Deukmejian had repaid the banks and racked up a surplus of $205 million. Today the surplus is nearly $600 million.

More Bucks for the Books

But if Deukmejian proved to be an effective budget balancer, he has also proved to be politically astute in knowing when and where to hike spending. In 1983, the year of the "Nation at Risk" report on education, California ranked last in the nation on education spending per student. Successive budgets have included hefty increases for all levels of education; the 1986 budget contained $5 billion more for education than when Deukmejian took office in 1983, and California is now at the national average in spending per student. Educators who were initially disgruntled with Deukmejian now praise him as a great friend of education.

The education increases were not without some reforms. Deukmejian managed to enact a $50 per semester fee for community college students; the state now encourages districts to lengthen the school year and offer summer school; there is funding to pay better teachers higher salaries. Deukmejian seldom misses an opportunity to boast about education; nearly every speech highlights education as his top budget priority.

Since the tightfisted days of 1983 and 1984, the budget has grown swiftly. The 1984-85 budget grew by 15.7 percent, the first real (adjusted for inflation) increase in state spending since 1980-81. But the increasing budgets, observers say, should not be taken as a sign that Deukmejian has caved in to spending pressures. "He has forced the Democrats to respond to our priorities," Pat Nolan says. "He has redirected money away from some of the frothy social programs and into sound and sensible things." One of those "sensible things" is new prison construction.

Another Deukmejian priority has been welfare reform. Earlier this year Deukmejian pushed through a "workfare" plan to require job training and employment, where possible, of able-bodied welfare recipients. The Democrats forced Deukmejian to accept a day care program as a condition of the plan, and some critics charge that the actual work requirements are mild and easily evaded. But the plan shows early signs of effectiveness. During the first trial run of the program in Fresno, 20 percent of the new welfare applicants withdrew when they learned that they would have to work. This supports Deukmejian's contention that although job training will cost $250 million a year, the case load reduction will save the state a net $130 million annually.

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Although the budget has jumped sharply the last two years, it will not do so much longer. In 1979, California voters, still in the surly mood of Proposition 13, passed a proposition that is the rough equivalent of Gramm-Rudman. The Gann Limit, as it is called, limits the total amount of state spending, regardless of revenues, according to a formula that takes account of increases in population, personal income, and the consumer price index.

Next year, the state will bump up against the Gann Limit for the first time, and the legislature will have to make difficult spending choices. Conservatives in the legislature such as Nolan are confident that Deukmejian's past toughness on spending will force the Democrats to respond to Republican priorities. "Deukmejian has outlined an appropriate and aggressive strategy to continue the redirection of the state," Nolan says.

The Bradley Threat

California governors can usually have a second term if they want it. (The last governor to be denied was Culbert Olson, defeated by Earl Warren more than four decades ago.) The Democratic nominee, Mayor Tom Bradley, is widely known and well respected, and he is coming off a huge reelection victory in the Los Angeles mayoral race last year. But with the highest approval rating of any governor in California history, and $5 million in his war chest (with $10 million more to come), Deukmejian is the heavy favorite.

Bradley, who held a slight lead in the polls a year ago, now trails badly and is having trouble getting his campaign off the ground. Fueled by hot rhetoric, yet weighed down with the ballast of his past positions, the campaign has been hovering at ground zero for months. In a desperate effort to gain altitude, Bradley has done the only thing he could do: he has begun throwing his previous positions overboard. In 1982, he was badly hurt by his support for gun control; now he says he does not support gun control. Heretofore a leading supporter of Chief Justice Rose Bird, he now says he will not take a position on her reconfirmation. Never known as an advocate of capital punishment, Bradley now says he has always been a strong supporter of the death penalty in principle, notwithstanding his opposition to the 1978 death penalty initiative.

Meanwhile, though his campaign is soaring, the Iron Duke is taking no chances. He rid himself of some burdensome baggage this summer by reversing his position on divestiture in South Africa. In California, the governor serves on the Board of Regents for the University of California, which voted in June to begin selling off its investments in companies doing business in South Africa. The explanation offered by his staff is that, as an Armenian, Deukmejian is sensitive to the parallel between the current situation in South Africa and the Armenian genocide in 1915. However apt the parallel, it is interesting that it occurred to the governor just 120 days before his reelection bid, having escaped his notice during the past four decades of his adulthood.

Nevertheless, Mayor Bradley now finds himself deprived of one of the few emotionally charged issues of 1986. The only comparable issue is toxic waste cleanup and disposal. Bradley has been pouring most of his meager funds into ads charging that the governor is dragging his feet on the toxic waste issue because he is beholden to toxic polluters for campaign contributions.

This is a difficult charge to fix in the public mind. Deukmejian has signed over 90 bills related to toxic cleanup. State funding for toxic cleanup has doubled, the number of people involved in cleanup has increased by 50 percent, and millions in fines have been imposed. Deukmejian's plan to consolidate the state effort into a single agency has been bogged down in partisan wrangling in the legislature. In addition, Deukmejian has delighted in pointing out that Los Angeles has been fined twice this past year for dumping raw sewage into Santa Monica bay.

What's ahead for the Duke? Although California has been represented on the Republican national ticket in eight out of the last 10 Presidential elections, and the Duke is occasionally mentioned as a possible running mate for a candidate from New York or Maine, he does not seem consumed with obvious ambition for national office. More likely, he will seek a third term as governor in 1992, the first third-term governor in California since Earl Warren. The precedent may not be a coincidence, for Deukmejian is rumored to covet a seat on the U.S. Supreme Court.

Regardless of which direction his ambitions lead him, he has fixed himself on the political landscape as a major figure. As *Forbes* magazine concluded: "If California remains the place where most trends begin, the Deukmejian phenomenon suggests that the conservative mood of the American people, the rediscovery of middle class values, runs deep."

Line-Item Mirage

No Cure for Spending

John Barnes

The overturning of Gramm-Rudman by the Supreme Court probably means that an old conservative hobbyhorse, the line-item veto, will start showing up in President Reagan's speeches again. Periodically throughout his term, Reagan has plumped for the power to zero out individual budget items rather than whole appropriations bills, authority possessed by 43 state governors. Reagan had the line-item veto as governor of California and he has repeatedly tantalized us with images of what he could do with it as President. "It would go a long way towards assisting our efforts to provide sound fiscal management at the federal level," he said during last year's Senate debate on the measure.

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For conservatives and even some neoliberals, the line-item veto holds out the promise of being the silver bullet that will slay the deficit dragon. Wasteful spending items, whether in the defense budget or on the domestic side, could simply be disposed of without shutting down whole sections of the government. Congress would not be able to override all the vetoes, or even most of them, without appearing to be hopelessly irresponsible. Budget Nirvana would be achieved.

The whole concept of the line-item veto rests on a highly dubious assumption: that the executive branch inclines naturally towards fiscal restraint while the legislative branch is irresistibly profligate in its ways.

Or would it? Unfortunately for its backers, the evidence suggests otherwise. Far from breaking the cycle of skyrocketing budget deficits, the line-item veto could even have the perverse effect of encouraging higher spending. As for Reagan's role in promoting it, his constituency might want to take a harder look at his record of using it (or not using it) in California before they assume he will wield his veto pen as freely as he did his gun in the role of Brass Bancroft of the Secret Service.

The Myth of Fiscal Restraint

The whole concept of the line-item veto rests on a highly dubious assumption: that the executive branch inclines naturally toward fiscal restraint while the legislative branch is irresistibly profligate in its ways. "I'll take the heat," Reagan confidently declares when he asks for the veto. But U.S. history and the experience of other industrialized democracies suggest that Presidents are as loathe to offend big-spending constituencies as are members of Congress. "More often than not," says American Enterprise Institute political scholar Norman Ornstein, "Congress had to protect the public purse from Presidents pursuing expensive military objectives, wanting to buy more territory, or expanding federal involvement in commercial affairs." Ornstein cites as a perfect example the parliamentary system of Western Europe, where the legislature as a whole is a creature of the executive. There, governments almost invariably consume a greater proportion of the national wealth than in the United States. In the early 1970s, it was the "spendthrift" Democratic Congress that insisted on killing U.S. participation in the Supersonic Transport fiasco, over the vociferous objections of the "fiscally prudent" Richard Nixon.

The nature of the democratic process seems to be to subsidize concentrated special interests at the expense of the diffused and more general public interest. That is because it is in the political self-interest of the politician to bestow benefits that are measurable as opposed to costs that are difficult to measure. The line-item veto power asks, in effect, that the President swim against the tide by rejecting specific items funded, mostly, out of general revenues.

Far from eliminating legislative log-rolling, the line-item veto will simply extend the principle to the executive. If President Reagan seeks to save, say, one of his weapons systems from congressional cancellation or deferral, he could pressure key senators and representatives by threatening to eliminate certain of their favorite things unless he gets what he wants. The result: the taxpayers end up picking up the tab on both items. Needless to say, a future liberal President could use this weapon very effectively against conservative members of Congress.

The old bait-and-switch game is a first cousin of the log-roll, and the line-item veto holds out the promise of raising it to a high art. A President with the line-item veto would give Congress every incentive to load up the budget with heaping gobs of pork, secure in the knowledge that most of them will be vetoed. Of course, many members never wanted those projects anyway. So the President could grandstand for the public by sending many of them down the veto hole while Congress gets to preserve the ones it really wanted all along, receiving the credit from grateful constituents. Multiply this temptation 535 times and you have the recipe for a spending spiral.

This is exactly what's happening in California under Republican governor George Deukmejian. "Every year, he vetoes around $1.5 billion in spending," says a frustrated Republican assemblyman. "But it hasn't prevented the continued growth of the state budget one bit."

Nor is there any credible evidence that the line-item veto has managed to restrain spending in the other 42 states where it exists, either. A study done by California Institute of Technology economist Benjamin Zycher of state and local spending patterns in the seven states that don't have the line-item veto and those that do, show there is little correlation between the presence of a line-item veto and the level of state spending.

New Hampshire's governor, for instance, has no line-item veto power. Yet according to the Census Bureau's 1984 figures (the latest year for which statistics are avalilable), his state is 44th in the nation in total state spending per capita, at $1,154 a head. Similarly, Indiana has no line-item veto, yet ranks 43rd in the nation in per capita spending at $1,167 per head. Minnesota, by contrast, has line-item veto power for its governor and has one of the highest state spending levels in the country at $1,810. The same goes for Alaska and the District of Columbia, which have the highest levels of per capita spending in the nation, at $7,937 and $3,891, respectively.

Based on the 1984 Government Finances report by the Bureau of the Census, the average per capita expenditure for states without the line-item veto is $1,420 annually. Surprisingly, the average for the states with the line-item veto is higher: $1,679 per year.

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For all his brave talk of using the line-item veto ruthlessly in Washington, Reagan seems to have scarcely known it existed when he had it in Sacramento. According to the Reporting Research Corporation, in his first two years as governor, Reagan vetoed a total of just $60 million in state spending ($175 million in 1984 dollars). Spread out over two years, that was hardly a dent in the California state budget even then. Coming into office for a second term in 1971, with a fresh mandate behind him, Reagan did not employ the veto on a single occasion.

Rhetoric vs. Reality

For all his complaining, Reagan is not powerless to stop spending if he really wants to. President Gerald Ford, whom Reagan vilified in 1976 for being "soft" on federal spending, vetoed a total of 72 bills (an average of 29 per year) with 83 percent of those vetoes being sustained. By contrast, between 1981 and 1984, Reagan vetoed a total of just 23 bills (an average of seven per year) with 83 percent being sustained.

The White House has insisted over and over again that it is Congress that acts irresponsibly when it comes to the budget. But then why doesn't Reagan veto the overbudget legislation? The White House "line" on this issue has been that Congress has never sent Reagan a true "budgetbuster" of which he can make an example!

That was refuted effectively by former budget director David Stockman, who relates in his book, *The Triumph of Politics*, how Reagan refused to veto an Interior Department appropriation in 1985 which was 25 percent over the President's budget request. Stockman said the bill "defined" the term "budgetbuster." Yet Reagan signed it into law after Idaho Republican Senator James McClure, a "fiscal conservative," asked him to.

When it comes right down to it, Reagan just doesn't feel like risking his popularity to force major spending cuts.

No, when it comes right down to it, Reagan just doesn't feel like risking his vaunted popularity to force major spending cuts. In a meeting with leaders of the New Right in 1985, they should have been tipped off when Reagan told them he was with them all the way, but "Fellas, I have to wear the white hat." With a veto and one-third of either house, Reagan could stop the spending he rails about, but he would end up wearing the black hat. Until a constituency can be created for cutting spending—probably through privatization—it matters little what new toys the politicians are given to play with. Anyone who thinks the line-item veto is the heaven-sent opportunity the world has been waiting for is likely to be disappointed.

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BOOK REVIEWS

Peripheral Vision

Game Plan: A Geostrategic Framework for the Conduct of the U.S.-Soviet Contest *by Zbigniew Brzezinski (Boston: Atlantic Monthly Press, $15.95).*

Reviewed by Stephen J. Morris

During Jimmy Carter's Presidency, when the struggle was being fought out in Washington between National Security Adviser Zbigniew Brzezinski and Secretary of State Cyrus Vance over the direction of American policy towards the Soviet Union, Vance's aides would brief journalists with sniping references to Brzezinski as the "Polish-American" National Security Adviser. In the mind of the State Department official speaking, this was a way to deprecate Brzezinski's views. Many of Brzezinski's critics felt that he had carried the anti-Soviet prejudices typical of a Polish emigré to the New World, and allowed them to influence first his analysis of the Soviet Union and later his management of American foreign policy.

There is some truth in this interpretation. Zbigniew Brzezinski, the son of a Polish diplomat who defected to the West after the Communist takeover of his country, does carry many of the cultural and political prejudices of a liberal Polish expatriate, forced to emigrate and later to become a citizen of the United States. His choice of a career, first as a political scientist specializing in Soviet affairs, and later as a foreign policy maker, was not unrelated to his cultural background. No doubt Soviet officials have good reason to be unhappy with the influence of a man who carries such prejudices. But why should educated citizens of the United States be so concerned? From a democratic perspective, liberal Polish cultural and political prejudices are healthy ones, especially when they are informed by a deep knowledge of Russian and Eastern European history.

Polish emigrés have played as decisive a role as Russian emigrés in explaining Russia and the Soviet Union to the Western intelligentsia: recall names such as Marc Raeff, Adam Ulam, and Richard Pipes. Brzezinski, long before he became a political figure, had himself made a major contribution to scholarship on the Soviet Union and the Communist world generally. His most substantial work, *The Soviet Bloc*, was and remains the best study of the rise and fall of Soviet authority in the Communist world in the first two decades following World War II. Subsequently, no other scholar has been willing or able to produce a much-needed sequel to that remarkable book. It was a model of what political science should be, but rarely is.

One distinctive aspect of Brzezinski's academic writings during the 1950s and early 1960s was his emphasis upon the role of Marxist-Leninist ideology in Soviet politics. He saw this as a relevant element in the Soviet political outlook, complementing the role of traditional Great Russian nationalism as a motivating factor in Soviet domestic and foreign policy. In this respect, he stood in the middle of the analytical spectrum between those (especially Russian emigrés) who emphasized the Bolshevik revolutionary nature of the Soviet leaders, and those (especially Polish emigrés) who emphasized the Soviets' traditional Great Russian nationalist motivation.

In his new book, *Game Plan*, Brzezinski has shifted decisively into the "Great Russian nationalism" school of interpretation of the Soviet problem. Marxist-Leninist ideology is barely mentioned. To be sure, explaining Soviet behavior is not the primary purpose of *Game Plan*. It is a book concerned with *responding* to Soviet behavior. But questions of ultimate Soviet motivation are relevant to how we might respond to their behavior. And Great Russian nationalism is a basic premise which underlies Brzezinski's set of recipes for American foreign policy.

Fields of Battle

Game Plan is a book about containment. It is the kind of book of which George Kennan would have greatly approved had he maintained the intellectual and moral position of Mr. X. (In 1980, after Brzezinski convinced Carter to introduce sanctions against the Soviet Union in response to the invasion of Afghanistan, Kennan called for the firing of Brzezinski.) *Game Plan* argues that the Soviet-American rivalry is a deeply rooted phenomenon which is destined to remain the center of world politics for the foreseeable future. But Zbigniew Brzezinski is deeply concerned that the United States, and in particular its foreign policy elites, are not intellectually prepared for the sustained challenge posed by Soviet imperial expansion. Americans lack a historical memory. They also lack what the Russians possess in abundance—the patience

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and persistence necessary to engage in what must inevitably be a historically protracted struggle.

To Brzezinski, the Soviet-American rivalry is best understood as a geopolitical struggle. The struggle between the United States and the Soviet Union is more than merely a "national conflict," he argues.

> It is also a struggle between two imperial systems. And it involves—for the first time in history—a two-nation contest for nothing less than global predominance.
>
> Though global in scope, the American-Soviet contest has a central priority: Eurasia. This landmass is the contest's geostrategic focus and its geopolitical prize. The struggle for Eurasia is a comprehensive one, waged on three central strategic fronts, the far western, the far eastern, and the southwestern.

The far western front involves Western Europe; the far eastern front involves China, Japan, Korea, and Southeast Asia; the southwestern front involves Iran, Afghanistan, Pakistan, and the Persian Gulf. On all three fronts, the struggle is likely to be determined by who gains or retains control over what Brzezinski calls "linchpin states," which he defines as states that are both intrinsically important and "up for grabs." Examples are Poland and Germany on the western front, South Korea and the Philippines on the far eastern front, and Iran or a combination of Afghanistan and Pakistan on the southwestern front.

Outside of the three main fronts are regions of Soviet and American imperial domination—Eastern Europe and Central America—which Brzezinski describes as "peripheral zones of special vulnerability." These zones are places where the "imperial power" is subject to the challenges of political resistance (Eastern Europe) and revolutionary activity (Central America).

Brzezinski sees the Soviet Union as a one-dimensional imperial challenge. Unlike the United States, which possesses both economic and cultural-ideological attributes that promote its influence throughout the world, the Soviet Union has attained its global status only through military power. Thus if the United States is able to contain Soviet military power, Brzezinski says, it will be able to "prevail historically," since on every criteria other than military power, the United States is clearly superior.

Setting Priorities

The core of the book lies in formulating concrete responses for the United States to undertake in response to the Soviet one-dimensional threat. There are two aspects to this: first, what Brzezinski describes as the U.S. strategic imperatives, and second, what he considers U.S. geopolitical priorities. The terms he employs are not exactly precise. The strategic imperatives to which he refers are in fact a defense policy of military procurement, strategy, and tactics. But here Brzezinski is most impressive. His years as National Security Adviser have given him access to information and an intellectual focus which enable him to argue persuasively. He has little time for the arms control community. He is an enthusiastic supporter of the strategic defense initiative. But to Brzezinski, a realistic defense policy is a necessary but not a sufficient response to the Soviet challenge.

The discussion of geopolitical priorities deals with a global political-military strategy for the United States on a region-by-region basis.

> Thus America must promote four broad geopolitical priorities: (1) accelerate the emergence of a more self-reliant Western Europe and, eventually, a Europe restored from its postwar division; (2) promote an informal strategic triangle in the Far East through wider economic and political cooperation among the United States, Japan, and China; (3) shore up the soft underbelly of southwest Asia by strengthening politically and reinforcing militarily the Soviet Union's southern neighbors; and (4) support the internal pressures in the Soviet-dominated Eastern European states and even within the Soviet Union itself for greater political diversity and tolerance.

Each of these "geopolitical priorities" makes good strategic sense. But how feasible are they? The second priority—an informal strategic triangle in the Far East—is the one most likely to be realized, since great progress has already been made in that regard. The third priority—shoring up the soft underbelly of southwest Asia—is one which is limited by the nature of the local forces. It is not clear that the messianic ambitions of Khomeini's Islamic fundamentalism will enable the Iranian state to survive. In Afghanistan, aid to the resistance is well under way, and there is little more that the West can do short of direct intervention.

As for the first priority, accelerating the emergence of a more self-reliant Europe, in effect a Europe which carries more of the burden of its own defense, one can say simply "the debate continues." It is not clear that Brzezinski's proposals, which include a "non-belligerent and non-punitive American redeployment, justified strategically by U.S. global requirements" would elicit the desired response from our European allies. The problem of European attitudes to the Western alliance is deeply embedded in the postwar culture of the continent, but most particularly in the post-1968 emergence of neo-pacificism in the northern half of Europe. What is required is an intellectual and political counteroffensive against the utopian left's influence within the major cultural institutions of each northern European country. That counteroffensive has to be undertaken by elements within each country. It is not clear that *any* unilateral American strategic action will change the basic cultural-political situation which underlies our political problems there.

Brzezinski's final priority—supporting political diversity and tolerance in Eastern Europe and the Soviet Union—is something he has been advocating and working towards for over 20 years. Insofar as any progress has been made in that respect, Brzezinski deserves some credit. But the fruits of that policy are meager indeed. Hungary is now a

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livable country for its citizens. Rumania's independent foreign policy is a problem for the Warsaw Pact. These developments were helped, but could never have been initiated by, American policies. Soviet rule is regarded as totally illegitimate everywhere but Bulgaria, and that is the cultural foundation for possible change. But the ideological determination of the Soviet leaders in defining the limits of change, if necessary by overwhelming military and police force, inhibit the possible impact of any Western policy. Until there is change in the nature of the Soviet leadership, most of occupied Eastern Europe, not to mention the more tightly administered, non-Russian U.S.S.R., will likely continue to obey their colonial overlords.

Unlike the United States, which possesses both economic and cultural-ideological attributes that promote its influence throughout the world, the Soviet Union has attained its global status only through military power.

Peripheral Conflicts

Which leads to a more general point. As Brzezinski reiterates, Soviet global strength rests upon Soviet military power. Thus, where the West can make a difference is where Soviet military power is weakest—at the peripheries of the Soviet empire. Not only Afghanistan and Nicaragua, but Cambodia and Angola, are places where American military involvement—through clients rather than directly—can make a difference. That is why Brzezinski's lack of enthusiasm for the Reagan Doctrine is most perplexing. His argument—that the conflicts in Angola and Cambodia are "peripheral," and only affect the interests of the two superpowers indirectly—is not convincing.

The defeat of Jonas Savimbi in Angola would open up Namibia to SWAPO and South Africa to the African National Congress. Both are violent instruments of pro-Soviet Communists. The chances of peacefully achieving racial justice and securing Western economic and strategic interests in southern Africa would be virtually nil if the Communist M.P.L.A. could conquer all of Angola.

Similarly, the security of Thailand, whose defense Brzezinski regards as important, will be severely threatened if the Vietnamese are able to pacify Cambodia. The Soviets are already expanding their naval presence in the vicinity of Kompong Som. The United States cannot support the Khmer Rouge guerrilla resistance. But substantial aid to the non-Communist forces of Prince Sihanouk and Son Sann (in contrast with the paltry aid now being given), will not only make life more difficult for the Vietnamese occupation army, but provide a third political alternative at any future negotiation over the political resolution of Cambodia's independence.

These reservations aside, Zbigniew Brzezinski has written a very important contribution to what should be a serious national debate over how to deal with the Soviet Union. *Game Plan* should have been the contribution of the Democratic Party's best strategic thinker. After all, the "Polish-American" professor is part of the mainstream Democratic tradition represented by the late Hubert Humphrey and Henry Jackson, whom he once advised. But such is the myopic nature of the Democratic Party's foreign policy today that Brzezinski is not likely to be consulted by any of the current Democratic frontrunners for the Presidency in 1988. Furthermore, nobody else within the entourages of leading Democratic hopefuls is intellectually capable of writing an alternative strategic manifesto. Such is the nature of American politics that Brzezinski has joined the distinguished list of former Democrats whose views on foreign policy are only taken seriously in the Republican White House. ☎

Norman's Conquest

The Bloody Crossroads: Where Literature and Politics Meet *by Norman Podhoretz (New York: Simon and Schuster, $16.95).*

Reviewed by George A. Panichas

In this collection of essays, Norman Podhoretz, editor of *Commentary,* discloses keen critical intelligence and discrimination as he examines literary and political themes and connections. All nine essays found here are, as he stresses, "either pieces of literary criticism or of literary or cultural history." In explaining the title of the book, from a phrase taken from Lionel Trilling, Podhoretz stresses that the two features found most often at the intersection of literature and politics in the modern world are totalitarianism in general and Communism in particular. He is careful to iterate, too, that these essays reinforce his belief "that it is possible for a critic to speak openly from a particular political perspective and to make political judgments without permitting such judgments to replace or obscure literary values as such."

In its defined critical aims, clarity, unity, and economy, *The Bloody Crossroads* is praiseworthy. It is also a very readable book, something that cannot be said these days about

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critical writing in the academy, especially now as it is being annexed by the deconstructionists. Podhoretz's literary and cultural criticism happily reminds us that not all critics are situated in the obscurantist camp of a Harold Bloom or a Geoffrey Hartman.

Podhoretz divides his essays into three groupings: "The God That Failed," "The Adversary Culture," and "East and West." A central point that he makes throughout, directly or indirectly, is that illusions about Communism refuse to die and that these illusions still attract members of the American intelligentsia. Another point is that, in the 1960s, liberalism and radicalism contributed to the spread of an "adversary culture" of American intellectuals who often virulently attacked the very social and political system that rewarded them with fame and riches.

For Podhoretz, this phenomenon of a "New Class" suggests, in its peculiarly American form and context, "la trahison des clerics." The attitudes and ambitions, if not the emotions, of those he associates with the emergence of a New Class in the 1960s he finds both misguided and dangerous. As he writes:

> Needless to say, the New Class was not the first insurgent class in history . . . and if its dreams of political rule were ever to come true, it would no doubt resolve the contradiction in the manner of all past revolutionaries: through ideological fiat backed by the coercive power of the state.

Indeed, Podhoretz chides the dissident Czechoslovak novelist Milan Kundera for cooperating with those literary mandarins of the New Class who exploit his work for their own political purposes by interpreting Kundera as suggesting that Communism and anti-Communism are equivalent evils:

> Those on the American left who have taken you up have been able to do so only by ignoring the novelistic essence of your work, its concreteness and particularity: by robbing it . . . of *weight,* by cutting it loose from the earth and letting it float high into a realm of comfortable abstractions in which all moral and political distinctions become invisible, and everything merges into 'the unbearable lightness of being.'

The writers on whom Podhoretz focuses illustrate his basic literary, critical, and cultural concerns, and also underline historical and political truths regarding the struggle between a totalitarian and a democratic mentality. He theorizes that George Orwell, a socialist, would today take a stand against the left by siding with democracy against totalitarianism and with "ordinary" people against a liberal intellectual community and the "smelly little orthodoxies" (Orwell's phrase) that it manufactures. A living Orwell, Podhoretz surmises, would have concluded that "the values of both liberty and equality fare better under capitalism than under socialism."

When he discusses Henry Adams, a writer whose literary abilities Podhoretz recognizes but whose political views he scorns, he observes:

> The life of the mind was never enough for Adams, and if he is an exemplary figure, what he exemplifies is the self-hatred so many American writers and thinkers have felt over being 'mere' intellectuals, and the self-pity they have experienced over what they have taken to be their own powerlessness.

Critical Influences

"The Terrible Question of Aleksandr Solzhenitsyn," perhaps the finest and most stimulating essay in this collection, helps to evince Podhoretz's gifts as a literary critic and as a cultural commentator. Podhoretz studied for three years at Cambridge University, where he came under the influence of F. R. Leavis; before that, at Columbia, he had studied under Mark Van Doren and Lionel Trilling.

The essay on Solzhenitsyn convincingly shows that the depth and breadth of these minds have enriched Podhoretz immensely. He is not a parochial critic who speaks only to the special interests of "the family"—his own word for the New York intellectual establishment. Insights and critical balance characterize his scrutiny of Solzhenitsyn's accomplishments, subtly distinguishing as the essay does between the weaknesses that make him a lesser novelist and the strengths that make him a great writer of nonfiction. Podhoretz honors Solzhenitsyn's "prophetic mission to the West," and unlike the liberal critics and reviewers, he takes seriously "Solzhenitsyn's terrible and terrifying question to us."

> Is it possible that the courage first to see the truth about Communism and then the correlative courage to act upon it, can guide our steps to safety as his own courage guided Solzhenitsyn's, that it can make Soviet leaders back down and ultimately, perhaps, even collapse, just as they did when confronted by Solzhenitsyn himself?

This certainly says something about Podhoretz's courage of judgment. Undeniably, in *The Bloody Crossroads* he has traveled a great distance and has acquired much maturity since he wrote *Making It* (1968), which Saul Maloff, then speaking for many offended readers and critics, called "sociological pornography for our time."

Clearly the literary-cultural and the social-political orientation that this book embodies is very much in the vein of "the politics of interest" that Podhoretz identified in his *Breaking Ranks* (1979) and that he sees as an antidote to the plague of liberalism and radicalism. This politics of interest does not promise, he is careful to stress, salvation or spiritual transcendence.

> It promises only the satisfactions that come from acting out of respect for oneself and out of responsibility toward those extensions of oneself—one's family and the groups and communities to which one belongs, whether by birth or by voluntary choice—that an openness to life inevitably creates.

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This revealing statement, found in the postscript to *Breaking Ranks,* and developed in a discerning essay in *The Bloody Crossroads,* echoes the moral empiricism that F. R. Leavis exemplifies as a teacher, editor, and critic. Leavis's interpretations of literature and assessments of cultural issues belong and return to the human world, or what Leavis terms the "living principle." But at the same time, this moral empiricism limits Leavis's critical achievement and Podhoretz's critical outlook by depriving both of a spiritual or transcendental element.

A central point Podhoretz makes throughout is that illusions about Communism refuse to die and still attract members of the American intelligentsia.

That deprivation makes it metaphysically impossible for Leavis to appreciate T. S. Eliot's *Four Quartets,* the greatest religious poem of the 20th century, even as it makes it impossible for Podhoretz, when he discusses Solzhenitsyn, for instance, to comprehend and "place" the religious background of modern Russian culture prior to the 1917 Revolution.

An Incomplete Vision

Surprisingly, Podhoretz does not agree with Leavis's high estimation of D. H. Lawrence's two greatest novels, *The Rainbow* (1935) and *Women in Love* (1920). "There is no life in them," Podhoretz states, "because they are nothing but counters in the polemical play of his ideas." In his strict adherence to a politics of interest, it is impossible for Podhoretz to perceive the crisis of faith that these two novels diagnose. Podhoretz's empirical presuppositions simply preclude any responsive valuation of a spiritual metaphysics or the life of the spirit generally.

The politics of interest, "pursued in the context of a pluralistic society like our own," that informs Podhoretz's thought and opinions, is ultimately rooted in *Realpolitik,* in the real world—in a politics of reality. But surprisingly, this realism ignores the sphere of the metaphysical or transcendental, even though, for millions of people, these too form part of daily "experience." Because of this, Podhoretz's vision, as embodied in *The Bloody Crossroads,* is necessarily incomplete. The incompleteness is endemic to the neoconservatism with which these ideas are identified.

The problem for Podhoretz, neoconservatism's most accomplished and trusted critic, is that his secular politics and principles inevitably countervene the "permanent things," as Eliot puts it. The incompleteness of neoconservatism ultimately (if unwittingly) glorifies the domain of the Great Beast of political and material power, what Leavis himself has called our technologico-Benthamite civilization. Simone Weil associates this with the "power of the social element . . . which chains us to the earth." Podhoretz's writings, even at their best, are representative and symptomatic of this. It is a feature which gives neoconservatism the character of an upstart movement—intellectually perceptive, pertinent, and even at times penetrating, but in the end without enduring substance, without a ground of being, without sacred texts, without lasting loyalties, without a grasp of universals.

"Woe to them that are at ease in Zion": these words of the Hebrew shepherd-prophet of righteousness in the eighth century B.C. to the world of his day have a timely ring here. There can be no doubt that Norman Podhoretz as literary essayist and political commentator has earned the superlatives assigned to him by Jean-Francois Revel, Robert Nisbet, Jeane Kirkpatrick, William Barrett, Gertrude Himmelfarb, Sidney Hook, and Lionel Abel, as quoted on the back of the dustjacket of *The Bloody Crossroads.* And yet neither Podhoretz's excellence nor the testimony of his eminent endorsers can guard him against the nominalism that finally molds and stamps his neoconservative propensity with limitations irretrievably provisional and conditional in nature. ☎

Tom Clancy, Patriot

The Hunt for Red October, *by Tom Clancy (Annapolis: U.S. Naval Institute Press, $14.95).*

Red Storm Rising, *by Tom Clancy (New York: G.P. Putnam and Sons, $19.95).*

Reviewed by T. Harvey Holt *and* Peter Samuel

Tom Clancy is the personification of the American dream. His heroes have always been writers and military men. For years he enjoyed them vicariously. Suddenly he's up there with them.

This improbable celebrity author was for many years a modest insurance agent in a village near Annapolis, Maryland. He netted around $40,000 a year with long hours and his wife working in the office. He lived in a small house and drove an old Chevy. A genial enough fellow, he was respected and liked among those who knew him, but not many people did.

When we interviewed him last winter, after the stunning success of

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his first novel, *The Hunt for Red October,* Tom Clancy was still at the front desk of his little insurance business. His calendar was full of appointments with insurance clients and the phone interrupted us regularly, mostly with calls about insurance, but also from his newly acquired literary agent and others who make a profession of attending to celebrities.

Clancy said he was taking more time off for his writing. Flicking through a then three-quarters complete draft of *Red Storm Rising,* he said he was still not quite convinced that this whole experience of becoming a bestselling author was for real. He was savoring the success of *The Hunt for Red October,* which has been on the paperback bestseller list for more than a year. Clancy had landed a three-book contract with Putnam and Sons, each with a million-dollar advance, and the thick three-ring binder on his desk was the first installment. "I can't really believe this is happening to me," he smiled.

Clancy says that the basics of his life have not changed since he became famous. Certainly his office hasn't, as the circa-1960 fake wood paneling and Art Steel desks attest. Nor has he adopted the outward eccentricity of some successful authors, preferring a timeless crewneck sweater and a down winter jacket to fancier duds. He looks and acts about like any other middle-aged American—he's tall with a little paunch, and shares the somewhat blase outlook of others his age. "Can you imagine me with gold chains and a Rolls Royce . . . and a silk shirt, saying, 'Hey, baby!'?"

He has allowed one innovation of the '80s to invade his enclave, however: the typewriter he used to write *Red October* has been relegated to completing insurance forms and addressing envelopes: he now writes on an Apple Macintosh computer. He has treated himself to a silver Mercedes and a $220,000 kit house, and he employs a tax consultant and an attorney for the first time in his life. "I just sign where they tell me," he says.

Though this very American dream didn't come to fruition until Tom Clancy was nearly 40, it all started when he was about four years old—when he learned to read, a habit he has indulged with a vengeance. "I just read everything I could get my hands on," says Clancy, who thinks he ruined his eyesight (and hopes of ever joining the Navy) with too much reading. His thick glasses "will stop a .45 at 50 yards," he says.

The child of a large working class family in Baltimore, he was a "lousy student," just scraping by at Loyola College in Baltimore. After a couple of years in Hartford, Connecticut, the insurance capital of the United States, he came back to Maryland to run his father-in-law's small family insurance business.

Clancy thinks that most people lead a "fairly dull existence" and that reading allows them to find excitement in their imagination. While reading voraciously himself, his only published work prior to *Red October* was a dry, if competent, piece of advocacy for the MX missile in the July 1982 issue of *Proceedings,* a journal published by the U.S. Naval Institute, a private think tank in Annapolis.

Finally, he wrote a few chapters of *Red October,* and in October 1982 had lunch with an Institute editor at an Annapolis saloon. "I told him I was fiddling with a novel, and I wanted a professional to look at it and tell me if it was worth continuing or should I just use it to light a fire." The Naval Institute encouraged him, and when it was completed told him that it just might sell 20,000 copies. It has now sold well over three million and is still going strong.

Clancy has a simple writing style and his narrative follows a pattern. In a series of short cinematic "takes" of a page or two, he skips from one scene to another. This technique enables him to develop a number of concurrent plot lines and to follow a rapidly unfolding series of events from all possible angles, at the time they occur. In *Red October,* we are with the American and Russian fleets in the Atlantic, as well as with a Royal Navy carrier jockeying for position. We are with the U.S. Navy command in Norfolk, with the President in the White House, and with spies and diplomats in Washington and Moscow. We follow an American attack sub as we realize it has a fix on *Red October,* and deep under the Arctic ice we prowl with the fugitive *Red October* itself. The effect is breathtaking.

The other strength of Clancy's writing is his easy familiarity with the details of military hardware and procedures. His understanding of how military personnel interact in their various professional settings gives Clancy's writing a quite unparalleled credibility.

Voice of Authority

Clancy's insurance business and his naval writing are not as separate as one might think. Some of his clients are former submarine "drivers" now employed at the Calvert Cliffs nuclear power plant. Others are still in the Navy, stationed either in Annapolis or at the nearby Patuxent River Naval Air Station. As Clancy tells it, "They come in with insurance problems, and I take care of that in about 30 seconds," after which he likes nothing better than to chat about things military. Much of the material for his books he has absorbed listening to clients in his insurance office on the main drag of Owings, Maryland.

In our interview, he was patiently polite when we asked him about himself. But he really lit up when one of us began to talk about modifications of the FFG-7 series of frigates and criticisms of the fire control system. For five minutes, he chatted enthusiastically about the capabilities and shortcomings of the warship.

His other sources are military trade journals, historical battle accounts, and a friend, defense consultant Larry Bond—whom Clancy jokingly calls a "Beltway Bandit." Clancy has never been on a submarine voyage because he is claustrophobic, although he has been aboard one at dock and toured warships.

All these sources allow Clancy to inject authority into his writing. He integrates a tremendous amount of highly technical information into his prose, but it is not overwhelming. More often than not, he uses the

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nicknames that military men use—the F-14 fighter is simply a "Tomcat," for instance, and incoming air-to-surface missiles are "Vampires." Others have attempted to do this and failed miserably. (General Sir John Hackett's *The Third World War* included a glossary that most readers very much needed to use.)

Clancy does not spend page upon page "developing" his characters, and this is purposeful, for Clancy's characters are only important insofar as they contribute to the relentless march of events.

He is amazingly good at thumbnail sketches—the murderous terrorist, the cringing bureaucrat, the plodding intelligence analyst. In the opening scene of *Red Storm Rising,* we are with a group of suicidal Muslim terrorists as they set fire to a Siberian oil refinery. Even as we recoil from the brutality of their killings, we understand what drives them.

Shortly after the fire, we join Mikhail Eduardovich Sergetov, candidate member of the Politburo in charge of oil production, a senior bureaucrat on his way to an uncomfortable Politburo meeting to explain how the disaster could have happened. Sergetov is thankful that his earlier reports are already on file opposing the use of Muslim personnel in sensitive posts. We instantly recognize the bureaucrat whose first thought is not of the incident or of those who will suffer from it, but of protecting his own hide.

Clancy's books are cavalcades of such characters, swiftly, sharply, often ironically sketched. Many display flashes of heroic behavior in the heat of the moment, and a few are genuinely idealistic. Clancy has no James Bond or Rambo-style supermen prevailing against impossible odds. His operations and skirmishes are fought by ordinary professional fighting men and the outcome is decided by their inherent qualities, good or bad.

What emerges from it is a picture of fighting men, mostly simple men doing their jobs as best they can under difficult circumstances. They rise to the demands of perilous situations, with discipline, skill, and courage, as well as fumbling, guesswork, and fear.

"No one appreciates the people we have in the Navy", Clancy says, "because you can't see what they are doing 2,000 miles away and 400 feet down." But we recognize these people, and we can see them for ourselves. They'll do the right thing without many words or any fuss.

In the film contract for *The Hunt for Red October,* Clancy insisted on a clause stipulating that the film would not hold the Navy up to derision, because he thinks that would be wrong. "Most Americans are patriots outside of Washington, D.C.," he says. "The term superpatriot is, I think, deliberately pejorative, as if there's something wrong with it [patriotism]. The people we have in the Navy are good people. All I do is try and portray them as fairly as I can."

The working title of his next novel, which Clancy cryptically says is based on the fourth chapter of *The Hunt for Red October,* is, appropriately enough, *Patriot Games.*

America's Billion-Dollar-A-Day Habit

America's Health Care Revolution: Who Lives? Who Dies? Who Pays? *by Joseph A. Califano, Jr. (New York: Random House, $17.95).*

Reviewed by Buddy Matthews

As the top assistant for domestic affairs under President Lyndon Johnson from 1965 to 1969, Joseph Califano is one of the main people we have to thank (or to blame) for Medicare and Medicaid. Furthermore, as Secretary of the Department of Health, Education, and Welfare (H.E.W.) under President Jimmy Carter from 1977 to 1979, Califano was in charge of administering the government's health care programs.

But Califano's new book, *America's Health Care Revolution: Who Lives? Who Dies? Who Pays?* marks a major shift from his old-line liberal thinking to a much more conservative approach. Now he proclaims that the marketplace should be the primary factor in determining the cost of health care.

> For more than a decade, I was convinced that the job of reining in health care costs was too big for the private sector, that only the government could do it, and that government had to do the whole thing. That's why, as secretary of H.E.W., I proposed an across-the-board cap on hospital charges that would have controlled payments by all private insurers as well as the government. My years at H.E.W. and six more outside government, led me to believe that the great hope of containing health care costs lies in an aroused private sector.

Califano even seems to joke about his earlier misguidedness. Of his initial conversation with Lee Iacocca to discuss joining Chrysler's board of directors, Califano tells this story:

> 'Look,' Iacocca said, 'I'll set up a committee. You. Me. Doug Fraser [the president of the United Auto Workers union and a Chrysler board member]. The three of us did more to create this mess than any other three people in America. You and those Great Society programs. Fraser with his crazy demands for health care benefits in union contracts. And me—I agreed to damn near every one of them.'

Quite a pronouncement from a Johnson Democrat. To be sure, he has not departed his old ways completely. He believes that the government still needs to oversee health care policy and act as a provider of

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last resort to the elderly, poor, and unemployed. But this is a far more modest role than he promoted during the Great Society era.

The major shift for Califano seems to have come during his stint at Chrysler, as chairman of the health care committee. His task was to lower Chrysler's health care costs. In this effort, he began to scrutinize the economics of the medical industry. What he found was that though Chrysler was paying $300 million a year for health care, there was no quality control, no accountability, no sense of what care their employees needed. Califano began to seek information from reluctant insurance companies. Here is one example of what he and his staff found:

> We asked physicians to investigate eight Detroit area hospitals with extraordinarily high percentages of non-surgical admissions for low back problems. They found that two-thirds of the hospitalizations—and 2,264 out of 2,677 of the total hospital days (approximately 85 percent)—should never have taken place.

The rest of the chapter on the Chrysler experience, indeed the whole book, is filled with similar examples. But the greater lesson is that such problems are not insoluble—and the market can help to solve them. According to Califano, Chrysler saved $58 million in medical costs in 1984. "Hard negotiating buyers, who treat health care like the other products they purchase, can change the system—and we are only beginning to realize the benefits of competition," he writes. Califano's findings at Chrysler are important because he believes that America's health problems are Chrysler's health problems writ large.

Sick Pay

In just a few decades, health care costs have risen from a relatively insignificant part of the gross national product to become America's third largest industry, employing one out of every 14 Americans and comprising 10.6 percent of the GNP in 1984. Today Americans spend well over a billion dollars *a day* on health care.

Steep price increases have accompanied this growth. In 1983, for instance, health care costs rose by 10.3 percent while the overall price index rose by only 3.8 percent.

In an attempt to solve the numerous and appalling problems so well exposed, Califano offers a number of recommendations. Some are innovative, many are commendable,

Califano now proclaims that the marketplace should be the primary factor in determining the cost of health care.

Califano believes that these cost increases are primarily a result of the way people and companies in the health care industry are remunerated for the goods and services they provide. Physicians have historically been paid on a fee-for-service basis while hospitals use a cost-plus system. Most reimbursements have been provided for through the third-party payer system, which deflects the full economic impact of a patient's decisions. Under the third-party payer system, a patient need only pay about 10 percent of the bill, with insurance picking up the rest of the tab. That makes health care cheap for the patient, who is therefore not encouraged to make efficient medical choices.

Before the passage of Medicare and Medicaid in 1965, the American Medical Association (A.M.A.) and other groups fought strongly against any type of government sponsored health insurance as being socialized medicine. It was not until physicians were able to obtain a fee-for-service guarantee (defined as the "usual, customary, and reasonable" fee) and hospitals were granted a cost-plus reimbursement that the medical community acquiesced. The result, in terms of health care costs, was a disaster. By the end of the first year, the annual rate of increase in that "usual, customary, and reasonable" fee had doubled. After praising Medicare and Medicaid for leading the way to a healthier nation, Califano writes that the "fee-for-service reimbursement system became a blank check for American hospitals and doctors, and they didn't hesitate to draw on the account."

most deserve serious consideration.

His most important proposal is to deregulate some aspects of the medical monopoly. Laws regulating who can practice medicine have not kept up with the growth of specialized health paraprofessional programs. Many people have the training and ability to do simple medical tasks, but are forbidden to do so by the doctors' monopoly and restrictive laws, which have been "perpetuated and perverted to hurt [consumers] by keeping fees high."

Califano's other major proposal is to change the way health care is paid for. Instead of the historic fee-for-service method of paying physicians, he offers two options. One scheme would entail an individual, family, or corporation paying a physician a yearly fee, which would cover tests, exams, advice, and routine illnesses. Each client would have to follow the doctor's counsel. If the consumer began to gain excessive weight, to smoke, to do anything that would jeopardize his health, the fee would be increased. A physician or individual who did not want to be covered under this type of plan might work under a fee-for-illness plan. In this system, a patient is charged by the illness rather than by the visit, so that a client coming in for a earache or a cold might be charged less than a patient with a broken leg or some other serious injury.

Rates for various illnesses could be posted in the physician's office so that consumers could do comparative shopping. The fee would also cover any additional visits until the patient had recovered.

Neither of these proposals is radi-

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cal. The first recommendation is essentially how a health maintenance organization (H.M.O.) operates. The second plan is similar to how most obstetricians charge for their services. A flat fee is charged for delivery, unless there are complications, for which the woman is entitled to come to the office as often as necessary during her pregnancy.

Califano also recommends that hospitals begin to move toward a fee-for-illness system, a plan which would approximate the new diagnostic related system (D.R.G.) adopted and presently being implemented by Medicare. The D.R.G. system sets a flat fee for which Medicare will reimburse a hospital for a given diagnosis. If the patient leaves early, the hospital profits. If the patient lingers in the hospital, the hospital loses money. This system is supposed to encourage hospitals to be more efficient with their resources and reduce any monetary incentive to retain a patient.

If this country is to have a health care revolution along these lines, says Califano, American business must lead the way. "Aroused American businessmen are the critical catalysts we need to provide a variety of effective answers to the problem of escalating health care costs." The reason is simple. Business, especially big business, has the manpower and the financial leverage to initiate new forms for providing health care.

Califano does not break completely away from his liberal background. In some respects, he prefers an expanded role for government: he wants it to require employers to assure their employees' health care and would provide government medical insurance not just for the elderly and the poor but the unemployed also. In his reasoning, an aggressive corporate America will bring the cost of health care down, thereby making it much more affordable for the government to protect the needy.

But increasing the role of government in health care might easily offset any gains made by business. Even Califano admits that as a health care provider, government has a dismal record when it comes to cost efficiency. But this call by Califano for more government is quite trivial in relation to the rest of the proposals in his book. When a confirmed liberal calls for market-oriented health care policies, it gives one reason to hope that perhaps a new consensus is beginning to emerge. ☎

A Dream Denied

Conservatism: Dream and Reality
by Robert A. Nisbet (Minneapolis: University of Minnesota Press, $25)

Reviewed by Paul Gottfried

Conservatism: Dream and Reality is the latest book in a string of distinguished works by Robert Nisbet, going back to *The Quest for Community* (1952) and *The Sociological Tradition* (1967). Although Nisbet's post-1960 books have been generally leaner than his voluminous early studies of social theory and social crisis, certain *leitmotifs* run through almost all his writings.

One is an often mordantly expressed concern about social leveling, which Nisbet sees as furthered through plodding bureaucracies as much as through acts of revolutionary violence.

Bureaucrats rule by obliterating inherited social distinctions and any institutional arrangements that stand between themselves and uniform control over others. Managerial government is not a value-free force.

As Nisbet observes when he describes Jeremy Bentham, the utilitarian thinker:

> The endeavor to create a professional civil service to do what 'the great unpaid' had done for so long and so inefficiently, it could well be argued, is respectable. But what was not respectable, what is horrifying in the judgment of conservatives, was the nightmarish world of cold reason, bureaucracy, permanent reform, bloodless charity, and total absence of emotion and feeling that Bentham foretold.

Nisbet couples his distaste for bureaucratic mechanisms with a strong belief in the value of intermediate institutions such as the family, church, and trade associations. He views such institutions as lines of defense for the individual and the family against bureaucrats and reformers intent upon human reconstruction. Tracing such notions to the French Enlightenment's hope of remolding human nature according to a rational uniform blueprint, Nisbet notes that political rationalists subvert individual and corporate freedoms while claiming to free people from the dead hand of the past.

Intermediate institutions, particularly the family, not only pose an obstacle to the further spread of political rationalism and bureaucratic control; they also correspond, as Nisbet sees it, to man's moral and educational needs. Like Edmund Burke, whom he praises lavishly, Nisbet believes that people become ethically responsible through a civilizing process begun in the family. Duty, obligation, and civility are formed through early, steady contact with parents and other transmitters of an inherited culture that contains metaphysical and moral values. Rarely, if ever, do people become good from learning and reflection.

Nisbet's writings all include statements of what can be described as classical European conservatism. He exalts hierarchy, defends the need for ascribed relationships in a well-ordered society, and assumes the naturalness of politically recognized gender distinctions.

For Nisbet, the term "medieval" has a thoroughly positive association. He reminds us that the Middle Ages emphasized the social bond, and as he states in *Conservatism: Dream and Reality*, had been rich in "semi-public autonomous bodies . . . freed of direct responsibility to legislature or the people." His ideal society, if one might use a concept that he would deplore, would be largely agrarian, founded upon custom and received authority, and be

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disposed to "feudalize and decentralize everything political," in a phrase from the French anti-liberal novelist, Paul Bourget.

Nisbet even has misgivings about "the equality of all citizens before a single law." Interpreting this concept historically as a slippery slope leading to further bureaucratic encroachments upon traditional communities, he quotes Elie Halevy, the French historian, that laws that consider all individuals equal end up trying "to equalize the condition of all individuals." Nisbet observes, "Law is more often the destroyer of custom than it is the creator."

Nisbet does have kind words for established churches, which he considers useful for teaching civil virtue. The word 'useful' brings one to the heart of Nisbet's thinking, for his defense of religious establishment, like his remarks on monarchy and aristocracy, stems from a dispassionate view of the social good.

Unlike his contemporary and fellow traditionalist, Russell Kirk, Nisbet does not approach politics as an affair of the heart. Nor does he philosophize, like the rhapsodic Alcibiades in Plato's *Symposium,* as someone "smitten and stung" by the search for wisdom. Nisbet invariably shows a certain detachment—apparent in his elegant, restrained prose—even when he discusses the problem of social disintegration. He calmly lets us know that neither communal stability nor cultural continuity is possible in a world in which secularism and feminism have triumphed. These trendy ideologies are incompatible with the cultural foundations of any flourishing past society; and it is utopian to believe that the forces that have made for social cohesion up to this point can be suspended to accommodate modern fantasies.

Nisbet despises religious enthusiasm almost as thoroughly as ideological zeal. He never misses an opportunity in *Conservatism: Dream and Reality* to underscore a psychological or historical connection between the two. He draws parallels between the religious passions of John Wesley and his disciples and, even more importantly, modern American fundamentalists and the mentality of political radicals. Nisbet draws such connections without hiding his strong feelings: it is obvious that he wants to keep some distance between himself and the religious fervor that he finds on the American right.

There have been cool though proper relations between him and many of the old conservatives of the 1950s and 1960s. Nisbet viewed with some distaste the religious wars that shook *National Review* in the 1960s, particularly the clash between Catholic Frank Meyer and the militant atheist but firm anti-Communist, Max Eastman, over the role of religious morality in American conservatism.

The old right has as many reservations about Nisbet as he has about it. Like David Hume, whom Dr. Johnson called a "Tory by accident," Nisbet has no doubt seemed an odd kind of conservative. His thinking does not fit any of the dominant postwar American conservative models. Unlike Whittaker Chambers, he does not present his thought in an earnestly religious and confessional tone or concern himself mainly with the confrontation between Christian civilization and godless Communism. Nor does he resemble Russell Kirk, who invokes historical Providence and pays tribute to the Western religious heritage. Nisbet does not even have (from the American conservative standpoint) the one overriding merit found in the theologically skeptical Friedrich von Hayek, who writes in firm support of capitalism and the industrial revolution. Nisbet sees in both the germs of destructive modernity.

Nisbet's combination of religious skepticism and pre-modern social views have counterparts in European thought in the works of Montesquieu, David Hume, and Michael Oakeshott. In America, however, Nisbet has stood defiantly outside the conservative mainstream. Neither his learned, detached prose nor his utilitarian defense of European counterrevolutionaries has provided much inspiration to movement conservatives.

His critical and analytic stance has made it difficult for him to classify modern political personalities. In *Conservatism: Dream and Reality,* Nisbet refers to Lincoln, Churchill, and Ronald Reagan all as conservatives. He also writes of finding conservative tendencies in the ideas of Nathan Glazer and Daniel Bell. Although it is certainly possible to find traits in all these figures that would distinguish them from what currently passes for liberalism, can one really link them to a school of thought that rejected the French Revolution? This question is relevant, for hardly anyone today—save for a few Southern agrarians and avowed Burkeans—would fit the conceptual frame of reference in Nisbet's discussion of conservatism.

Nisbet brings to bear an invaluable perspective in examining the drift of Western civilization. But his unshakeably conservative standard of judgment is inapplicable to today's battles between welfare state democrats and pro-Marxist socialists. In such battles, Nisbet has no trouble picking sides, but the side he inevitably takes has no demonstrable connection to the world of Burke and other opponents of the French Revolution. The old, perhaps truer, terms of debate have lost historical resonance.

This can be seen particularly in the final chapter of *Conservatism: Dream and Reality,* in which Nisbet picks his way fastidiously through the current American right. Obviously, those markings provided by the religious right and the anti-Communist, moderate welfare statists are not to his liking, but Nisbet explores the landscape with dignity, if not pleasure. He also seems to make a choice among lesser evils, expressing more sympathy (or less distaste) for neoconservatives than the religious right. In any case, Nisbet is convinced that the welfare state and its bureaucratic rule are irreversible. He reluctantly considers the argument that defending the present instruments of material redistribution and social leveling against the introduction of more radical ones is, in some sense, a conservative enterprise. This concession is the closest that Nisbet comes to accepting any part of neoconservative thought. It may also be the farthest that an 18th-century gentleman will go toward accepting America in the 1980s.

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LETTERS

Michael Altfeld, Representative Jim Courter, Lieutenant General Daniel Graham, Walter Block, Thomas Ireland, Raul Rabe, Lev Navrozov, Brent Baker, Sally Reed, and others.

Strategic Defense

Dear Sir:

The problem with Clarence Robinson's article ("Is Strategic Defense Criticism Obsolete? Rapid Technological Advances Have Changed the Entire Debate," Summer 1986) is that he speaks as if we could go into engineering development on all the systems which he discusses immediately. This is simply not the case. SDI is structured to allow a decision on defenses in the early 1990s. Since engineering develpment takes about 10 years, the defenses being researched by that program will likely not be in place until well after 2000. However, if Mr. Robinson is right about Soviet plans and programs (as I believe he is), this is far too late.

The solution to this problem would appear to be to actually deploy some type of limited defense while working on the more exotic and complete system conceived by SDI. The low altitude defense system for example, could be deployed very rapidly to protect the silo-based Peacekeeper. And while it is nuclear armed, it would use a warhead of very low yield to destroy one much larger. In addition, systems such as the Swarmjet concept (which is nonnuclear and may not even be an antiballistic missile—ABM—by treaty definition) could also be deployed relatively rapidly for point defense. If necessary, such point defense systems could be given a high altitude overlay using an SA-12 equivalent and/or the 100 ABMs permitted by treaty. Active defense of the silos might also make it easier politically to deploy additional Peacekeepers, thus further enhancing deterrence during the lengthy period of testing and development scheduled for SDI systems.

This approach is criticized by Mr. Robinson on the grounds that it defends "only" military targets and that it could be overwhelmed by an attacker. Yet it would seem clear that launching strikes against the cities of a nuclear-armed opponent before one has crippled his capacity to retaliate makes very little strategic sense. As a result, protecting our strategic forces does protect our population, albeit indirectly. Furthermore, by the time the Soviets could proliferate enough warheads to overwhelm the defense, some of the more exotic systems might be ready. Finally, it should be noted that no defense short of perfection can preclude a determined opponent from launching a counter-population strike.

Even a defense effectiveness of 90 percent would require the attacker to expend only 8,800 warheads in order to place two on each of 200 cities with at least 90 percent confidence. This number is well within Soviet capability today. Thus, it would appear that the only way to defend cities is through the defense of those military assets which would have to be eliminated before direct attacks on cities could be contemplated safely by an adversary. Though point defenses would be only the first step in the construction of such a defense, they appear to be essential in order to purchase the time necessary to develop and deploy any of the more exotic concepts of which Mr. Robinson is so enamored.

Michael A. Altfeld, Ph.D.
Camp Hill, PA

Dear Sir:

Clarence A. Robinson's article represents an extremely valuable contribution to the reasoned debate over the desirability and feasibility of strategic defensive systems. Mr. Robinson's clear explanation of the technical advances and challenges of the SDI program should be indispensable to the inquisitive layman

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who approaches the SDI issue with no preconceptions and truly seeks to be educated.

Unfortunately, the most ominous challenge to the SDI program is a political one, posed by the scientific and academic elites. The "specific" and "technical" objections that they raise to the SDI program are really smoke screens for their intense ideological aversion to the notion of abandoning the mutual assured destruction doctrine in favor of a doctrine based on the prospect of mutual assured survival. Consequently, no amount of tightly reasoned technical analysis by experts such as Mr. Robinson will ever convince this increasingly shrill coterie of SDI critics.

What, then, must be done to advance the SDI program? Quite simply, the President must enter the battle himself. Having established the SDI program, the President has a special obligation to see it through. Mr. Robinson has already illustrated the wide and varied range of technical advances that have been made under the funding constrained, ABM Treaty constrained, policy constrained SDI program. Just imagine the breakthroughs that could result from an SDI program unconstrained except by the ever receding limits of technology, as envisioned by the Fletcher Report in 1983.

The alternative is an SDI program that is little more than a costly science project, increasingly threatened with death by a thousand budget cuts, defenseless against disinformation and propaganda strafing by the Soviet Union. This ignoble fate is clearly not what the President had in mind for his visionary program. A rescue mission must be undertaken, the sooner the better.

Representative Jim Courter
Twelfth District, NJ

Dear Sir:

Clarence Robinson has indeed made the case that the "technical" and "scientific" arguments against SDI are obsolete to those who know the technical facts. This is due in part to the technical progress made since the SDI program began, but I would add that the "can't be done" arguments were obsolete from the moment they were first raised.

The fact is that many of the scientists who attempted to smother SDI in its cradle by alleging technical show-stoppers, knew that their arguments were fraudulent, and risked their professional reputations to make political points. One fig leaf remains for these politically motivated scientists, and that is to insist that their view of insurmountable technical obstacles and towering costs were and are based on the criterion of "perfect" and "leakproof" defense. Only when the vulnerable straw man of perfection is invoked can their objections stand the scrutiny of their peers.

With help from political allies, the anti-SDI factions go on to insist that the President called for a perfect defense when he launched SDI, but has "changed his mind" and now seeks only to protect missiles, not people. This is patently false, and the President and Secretary Weinberger have so stated on several occasions. But this falsehood remains at the heart of the now more overtly political assault on SDI, which in terms of the dangers it presents is by no means "obsolete." The notion that SDI is for missile protection only provides the basis for the chorus of demands that it be traded for some reduction in the number of Soviet missiles.

These arguments must be made obsolete as well, and will be once a decision to deploy strategic defenses has been made.

Clarence Robinson's fine article will be must reading for High Frontiersmen.

Lt. General Daniel O. Graham
Director, High Frontier
Washington, D.C.

Ignoble Savage

Dear Sir:

James K. Stewart has perfomed a significant public service by pointing out how crime causes poverty in the inner city, and by showing that it is the poor who are the main sufferers from this blot on our civilization ("The Urban Strangler: How Crime Causes Poverty in the Inner City," Summer 1986). This was an eloquent treatment of the problem, and did I not believe in a libertarian society, I would advocate enacting a law that would make this article required reading for all those concerned with the issue of poverty.

However, I should like to take issue with Mr. Stewart on just one small detail: he does not adequately distinguish between real crime, e.g., where there is an initiation of force against innocents, such as murder, robbery, and rape; and legislated or victimless crime, which need consist only of "capitalist acts between consenting adults," e.g. prostitution, pornography, drug sales, and gambling. Were the latter "crimes" stricken off the books, several beneficial results would come about.

- A significant proportion of our already thinly stretched policy manpower would become available to deal with real criminals.
- A major cause of real crime would be eliminated. Right now, because of the prohibition of certain controlled substances, the price to support a drug habit can be as high as several thousand dollars per month. Since very few addicts can earn such money in honest pursuits, many are led, as if by an invisible hand, into a life of crime.
- The present victimless crime laws engender murderous havoc on the streets of the inner city, and many drug consumers have died from impure products. By contrast, gambling is legal in such places as Reno, Las Vegas, and Atlantic City; prostitution is legal in Nevada; and pornography is unrestricted in Denmark; yet none of these jurisdictions is afflicted by the vast criminality which besets the ghettos of many major American cities.

Mr. Stewart is surely correct in pointing out that crime must be attacked like the yellow fever parasite it resembles. But this only applies to attacks on persons or property, not trade between consenting adults in products that are seen by society as abhorrent.

Walter Block
The Fraser Institute
Vancouver, Canada

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Dear Sir:

I disagree with the simple cause and effect characterization that crime causes poverty rather than the reverse. Crime both causes and is caused by poverty. All of what Mr. Stewart wrote about crime making it much harder for individuals to break out of poverty is true.

But it is also true that individuals faced with no real hope for economic progress are more likely to turn to crime than individuals who feel that hard work and personal initiative can significantly improve their lots in life.

The fundamental issue in long-term poverty is a lack of enforceable individual property rights. In some primitive cultures, claims of an extended family limit economic progress in precisely the same way that crime acts as a limiting factor in American central cities.

But property rights are not just legal rights, but moral claims as well. When a given society grants deep moral support to an individual's rights to better himself through the acquisition of property, ways will be found to enforce individual property rights.

It is no accident that crime rates have historically fallen during police strikes, both reported and unreported. The collective power of the community to prevent crime privately has always been a more significant deterrent to crime than the limited quasi-military enforcement of the police.

In many ways, the role of the police has been to protect criminals from their victims. During police strikes, more citizens are ready to respond to crime and crime correspondingly falls.

But to respond to crime, citizens must be willing to risk injury to protect the rights of others as well as their own rights.

That is what we have not seen in pockets of long-term poverty and what we have in seen other centers of poverty that are eliminated by individual initiative backed by community moral support.

Thomas Ireland
University of Missouri
St. Louis, MO

The collective power of the community to prevent crime has always been a more significant deterrent than the limited quasi-military enforcement of the police.

Thomas Ireland

Military Reform

Dear Sir:

David Packard's article, ("Improving Weapons Acquisition: What the Defense Department Can Learn from the Private Sector," Summer 1986), applies the principle of prototyping ("fly before buy") across the board, without differentiating between types of weapons.

Sure, prototypes work as a means of checking out the "goods" with machine guns, or even fighter planes, where the investment in research and development has already been made and the weapon in question—an F-16 for example—makes extensive use of existing technology. But when radical new technology is involved, with the Trident submarine, for example, "fly before buy" is plain silly.

In this context, it is interesting that Mr. Packard mentions the Polaris submarine program. Although Polaris indeed applied novel ideas to submarine technology, the first ballistic missile submarines were essentially "stretches" of existing designs to accommodate missiles. The Trident, on the other hand, represented a radical break from previously existing submarine technology: new methods were used to build a new ship with new capabilities. You cannot use prototypes in such a case.

It is also worth mentioning that the longer a program takes from the drawing board to the finished product, and the more R&D invested, the less useful prototyping becomes. The Trident was conceived in 1968 as a rough idea; basic R&D took place from 1971 to 1974; and the first contract was let in 1974. Building a ship of this size and complexity is a time-consuming project—even if Trident had been on schedule, the elapsed time from contract to operation would have been six years. The services and the nation cannot wait six years to decide if it will work. No contractor would accept work on that basis for a short-run item. In this case, General Dynamics invested $450 million in radically new capital equipment to build Trident. Such a capital investment would not have been forthcoming if a "fly before buy" situation existed.

Mr. Packard's reference to the Rayburn team in the Polaris program is also interesting. What is often forgotten is that Admiral Hyman Rickover wielded tremendous individual authority over programs, just as Mr. Rayburn did (although it is critical to note that, for all intents and purposes, Admiral Rickover did not participate in the Polaris success), yet in the years after his legendary nuclear achievements faded, Rickover (according to Navy and civilian sources, especially engineers) was the single greatest obstacle to reactor innovation and design in the Navy. The point is that Mr. Rayburn was the right man at the right time, but investing another individual with similar authority over a program might not necessarily yield similar results.

Finally, Polaris is also a pertinent contrast to Trident, because the Polaris teams by and large did not have to deal with masses of red tape, OSHA regulations, and E.P.A. restrictions that emerged in the 1960s and 1970s, after Polaris was in production. One shipyard official showed me a book of Navy regula-

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tions on shipbuilding that was enormous compared to similar books of earlier years.

Most critics of acquisition policy ignore the Trident program. While it came in roughly 18 months late and 30 percent over budget, it has outperformed even the most optimistic expectations. Given that its builders were creating a new vessel from scratch, working with newly designed equipment on a project that the Navy had only completed 10 percent of the final designs when contracted, the public got a deal.

Oh, and about prototyping. What has become of the F-20 lately? You know, the one that didn't crash.

Larry Schweikart
Department of History
University of Dayton
Dayton, Ohio

Conciliating Communism

Dear Sir:

Senator Paul Laxalt ("My Conversations With Ferdinand Marcos: A Lesson in Personal Diplomacy," Summer 1986) paints a rather benign picture of the Marcos administration, failing as he does to discuss its corruption and abuses. We also cannot agree with his assessment of President Aquino's approach to the Communist insurgency in the Philippines. Only time will tell, but we are confident that her conciliatory policy will prove correct in the long run.

For the Ambassador
Raul Rabe
Minister
Embassy of the Philippines
Washington, DC

Soviet Hate Drills

Dear Sir:

Eugene Methvin's article, ("The Evil Empire Strikes Back: The Politics of Hate, Soviet Style," Summer 1986) should be required reading for all who have affinity with the Soviet Union.

But there are two inaccuracies in Mr. Methvin's article that ought to be corrected. First, Julius Streicher was a managing editor of *Der Sturmer* and not of the *Voelkischer Beobachter,* the official Nazi Party newspaper, which was run by Alfred Rosenberg. Second, the *nomenklatura,* the Soviet ruling class, is not "the privileged Bolshevik class." All true Bolsheviks, Lenin's "agents of awareness," were exterminated during Stalin's massive purges of the party, state, and military cadres. These hard-core revolutionaries, entirely devoted to Communism, were replaced by a new class of power hungry opportunists, a self-appointed and self-perpetuating bureaucratic elite.

This new class, the *nomenklatura,* owns all means of production and all political and economic resources of the country. Their ideology is an old pan-Russian nationalism cum xenophobia, onto which Stalin and his successors superimposed Marxist philosophy and terminology combined with Leninist ideology and strategy. They justify their totalitarian rule and undeclared political warfare against the free world under the banner of a "class struggle."

As the sole interpreters of this ideology, the Soviet oligarchy operates on the assumption that it is infallible, and finds its support in the ideological mentality of the Soviet people, who subordinate all aspects of their life to the service of abstract goals—the fulfillment of the promethean dream, shared by Marx and Lenin, of the creation of a new world and a new human nature, and a Communist conquest of the entire world.

Michael M. Geldner, M.D.
Neenah, WI

Dear Sir:

Eugene Methvin is right. Any American who buys a copy of the Soviet *New Times* in English can see that the entire global machine of Soviet propaganda turns out a kind of hate for the United States. The U.S. President may be called a gunman or a gangster as a matter of course. But when "detente" ensues, the hate campaign disappears from "open sources" and appears in "closed sources," such as "closed lectures" (of which the CIA has never known anything).

While Mr. Methvin's article is factually strong, it is conceptually weak. He ends his piece with the antithesis: Marx (the essence of Soviet propaganda) vs. Solzhenitsyn (its opposite).

Actually, since 1943 (if not 1930), Russian chauvinism and even "Communist Christianity" (a Soviet term which appeared in 1971) have been replacing Marxism in Soviet propaganda. The reasons are obvious. There is hardly a single Russian who would not laugh if Soviet propaganda begins explaining to him that the American "working class" is lapsing more and more into "absolute and relative pauperism," as Marx prophesied. But millions of Russians, both culturally sophisticated and barely literate, will believe that in contrast to the soulful Russians, the robot-like Americans do not even know what music is, be it Bach or a simple song, but listen instead to raucous noise they call music. Who said that? Solzhenitsyn.

With every decade since 1943, the Soviet anti-American propaganda has been run more and more on Solzhenitsyn's (and not Marx's) nationalistic, anti-Western, "Communist Christian" and antisemitic lines. But, of course, before 1943, Solzhenitsyn himself was a Marxist-Leninist of rare fanaticism.

Mr. Methvin is anachronistic, which is typical of Western-born experts on Russia. He takes pre-1943 Soviet propaganda and juxtaposes it with post-1943 and pre-1976 Solzehnitsyn. Neither exists. Since 1976, Solzhenitsyn has developed into a full-fledged antisemitic Russian chauvinist, who has refused to adopt U.S. citizenship and has never protested against Soviet ("Russian") actions in recent years. His new 1983 version of *August 1914,* which exists only in Russian, is virulently chauvinistic and antisemitic.

Lev Navrozov
Riverdale, New York

Problems of Reform

Dear Sir:

In response to Chester Finn's recent article, ("Decentralize, Deregu-

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late, Empower: Seven Proposals to Bring Education into the 20th Century," Summer 1986), I would like to make a few observations.

First, if one wishes to reverse what Mr. Finn calls the current "top-down, 'command and control'" method of imposing reform, federally mandated accountability requirements, including setting "minimum outcome standards," hardly seem the way to achieve such a goal. Do we want professional policy makers—the state—prescribing "minimum standards?" What are parents? Rubber stamp bodies, manipulated through consensus building strategies?

Second, while the goal of making education amenable to free market approaches is laudable, doesn't the concept of privatization work better in this regard? Doesn't government standard setting, which comes with government dollars, inevitably doom any effort to cater to the diversity of educational preferences and philosophies to which Mr. Finn alludes?

If so, wouldn't it make more sense to work toward the infinitely more viable and affordable goal of teaching only basic subjects—reading, writing, mathematics, history, geography, physical science, and their advanced, high school level counterparts?

Public education for the past 30 years has failed because it has attempted to teach too much, to solve too many problems instead of sticking to a manageable number of objectives. Is it fair or wise to saddle the schools with the responsibility for all the failings and problems of society?

Then there is teacher evaluation, which even teachers will agree must be overhauled. The problem is not who is qualified to evaluate, but *what* they are evaluating. Do we want a teacher rewarded because he/she coaches Powder Puff Girls' Football, or do we want to reward excellent teaching skills? Who is qualified to recognize good teaching: a principal who walks into a room for 10 minutes and looks for colorful bulletin boards and quiet children—or someone who will examine the materials a teacher uses and stop in frequently to see how they are presented?

As for report cards for parents . . . Mr. Finn should be ashamed. If one construes the most innocuous intentions, one might take this to mean that if a child is consistently disruptive in class, his parents will get a "D" for parenting (not an "F," mind you, because that's considered "traumatizing").

But if a child sits placidly in class, grins a lot, and answers questions, that child's parents—who may never be home or come home inebriated every night (how would you know?)—would get an "A."

Words like "deregulation," "accountability," and "standards" are impressive, and they strike a responsive chord. But it seems to me that all too often they become buzzwords for something that the public mistakes for the real thing.

I would like to think that this isn't the case in education.

Sally Reed, President
National Council for Better Education
Alexandria, VA

In 35 years as an educator, I have found perhaps a dozen students who managed to escape the consequences of compulsory mediocrity.

Thomas Molnar

Dear Sir:

Friends who left Hungary after the uprising of 1956 told me of compulsory meetings in their places of work where the local party secretary made his stereotyped speech: "Comrades, things are wonderful in our system, there are only a few shortcomings left to eliminate: the price of potatoes is several cents higher than it ought to be!" This, at the time of nightly secret police raids on homes, deportations, tortures. But at least those attending such meetings winked at each other, and when possible, laughed.

I am not aware of winks and laughs when such grotesque articles appear about the millionth "educational reform" as the one concocted by Chester E. Finn. In my 35-year teaching experience (east and west coasts, middle America, Catholic and secular universities and colleges, Rutgers and Yale), I have found that our elementary schools teach practically nothing, high schools waste youth's time, and colleges build on such "foundations."

The reason is *not* lack of funds, ethnicity, busing, affirmative action, low pay for teachers, etc., but an unbreakable anti-intellectual bias, crass incompetence, and refusal of knowledge and culture as an "elitist prejudice." In 35 years in education, I have found perhaps a dozen students who managed to escape the consequences of compulsory mediocrity—by teaching themselves from books and extra-academic insights. Even at Yale, my students, mostly excellent minds, admitted that since they look forward to the best positions and incomes in government, law, and business, they do not have to learn anything except hobby-subjects.

Thereupon Mr. Finn arrives with his social engineering. Not unlike the Budapest party secretary, he uses the big words: "systemic structural problems," "re-tooling the system," "excellence movement," "educational delivery system," and others, but basically, as these very expressons indicate, he regards education as just another managerial field like any other business enterprise.

This approach vitiates our entire

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education—and culture. Like the other miracle managers, Mr. Finn has no idea of what learning is and what it entails.

Instead of focusing on these commonsensical areas, the real condition of change, Mr.Finn offers seven trivial points like the use of more mind-killing machines in the classroom, changes in the school calendar, new kinds of certification, and the now fashionable deregulation and decentralization. These are the usual banalities which prolong our third-rate educational system. I hope the paper on which Mr. Finn exercised his educational expertise can at least be recycled.

Thomas Molnar
City College of New York
New York, NY

Arms Control Fallacies

Dear Sir:

It is not the first time that I have been impressed and informed by Colin Gray's thoughts ("Nuclear Delusions: Six Arms Control Fallacies," Summer 1986). His article serves to demonstrate that some people will believe even what is not in their interest to accept. The power of delusion is not well understood in the West, since by and large, it is self-delusion at work. Mr. Gray documents this point most effectively. It may well be that arms control, like patriotism in the past, is the last refuge for scoundrels, or at least those who should know better.

In 1937, with war clouds on the European horizon, George Orwell said, "The first duty of intelligent men is the restatement of the obvious." Colin Gray is to be commended for recognizing this same duty 52 years later.

Herb London
Dean, Gallatin Division
New York University
New York, NY

Media Monitor

Dear Sir:

Dinesh D'Souza's article, ("Mr. Donaldson Goes to Washington: Politics and Social Climbing in the TV Newsroom," Summer 1986) illuminates the process by which aspiring network television reporters adopt liberal political opinions. This is the "culture of network news" they must follow in order to get their stories on the air. As Mr. D'Souza points out, most reporters don't have liberal backgrounds and genuinely try to keep their reports balanced and fair.

However, because of the liberal views they bring to their assignments, some of that is bound to slip into the completed story, no matter how hard they try to prevent it. Surely reporters would agree that if a group of Heritage Foundation scholars turned correspondent, try as they may to be unbiased, they would undoubtedly bring a different spin and agenda to the news than would NBC or CBS with their current crop of reporters.

While Mr. D'Souza provides us with a great service by showing the bias of several reporters, the greatest difficulty those on the right have had in proving liberal bias, to those who commit it and deny it, are specific examples. To correct this situation, last year the National Conservative Foundation created the Media Research Center (M.R.C.), which now monitors all network TV news shows.

To publicize our findings and get them into the hands of policy makers who are influenced by public opinion, which in part is shaped by media coverage, the M.R.C. publishes *Newswatch.*

Instead of making broad generalizations about news coverage, the monthly newsletter makes its case with specific examples and long-term studies.

Only with this kind of detailed research, which alerts news consumers to the depth of the bias problem, will conservatives ever begin to convince others to join the effort to bring greater balance to the network news operations.

Brent Baker
Editor
Newswatch
Alexandria, VA

The P.L.O. Connection

Dear Sir:

I enjoyed Representative Jim Courter's article ("Protecting our Citizens: When to Use Force Against Terrorism," Spring 1986). However, I did notice one factual error. Representative Courter states, "When two Arabs tried to seize an El Al jet in 1970 on its flight from Amsterdam to New York, one of them was shot dead by a marshal while the other was handed over to authorities when the plane landed in London." While this incident did occur, only one of the terrorists was an Arab, Leila Khalid.

The terrorist who was killed was Patrick Arguello, a member of the Sandinista Front who had been trained by the P.L.O. in southern Lebanon. In 1981, the Sandinistas, in recognition of Arguello's contribution to the global revolution, named a new power plant after him. Arguello's case is a perfect example of the ties between international terrorism and Central American Communism. Shafik Handal, leader of one of the Salvadoran Communist guerrilla movements, traces his lineage to Palestine, and often speaks of his solidarity with the P.L.O. Cayetano Carpio, another Salvadoran Communist leader, also has close ties to the P.L.O. and he visited Arafat in southern Lebanon several times. Besides Cuba, Nicaragua is the only Latin American nation to grant the P.L.O. full diplomatic status.

The conclusion that one derives from all this is that by fighting Central American Communism, the United States is also fighting international terrorism, and vice versa. So why do so many congressional liberals who are ardent opponents of the P.L.O. and other terrorist groups refuse to vote for aid to the Nicaraguan freedom fighters? And why are respected anti-Communists such as Senator Barry Goldwater and columnists Evans and Novak mute when it comes to denouncing P.L.O. terrorism?

David Bernstein
Brandeis University
Waltham, MA

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